

WHY PEOPLE WORK

BY

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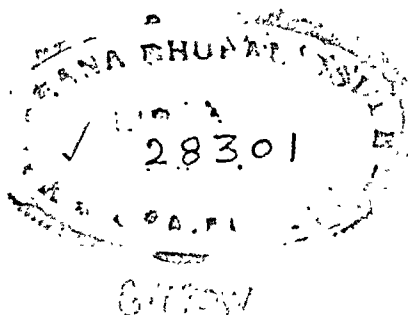
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To
D. R. GENT
once a great footballer,
for long an understanding teacher,
always a source of encouragement



PREFACE

The aim of this Economics primer is to help pupils to examine certain features of daily life and living. For this purpose the book presents selected facts and aspects of Economics which lie within the mental grasp of young people and which are directly pertinent to them at the beginning of their careers. The pupils who will benefit most from such study are those in the 14-15 age group in all types of Secondary Schools, and those in Commercial Colleges and Continuation Classes.

Each chapter is followed by a set of questions and exercises which necessitate simple research and investigation on the pupils' part—an indispensable adjunct to the teacher's efforts. More mature pupils may well try to find the answers to all the questions, but for younger pupils some selection may need to be made by the teacher. In all cases, however, active discussion leading to continued research should be encouraged.

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sends machines, coal, and textiles overseas and buys raw materials and foods from abroad. In reasoning about these activities and movements you discover that man is forever trying to use the forces of nature for his own benefit; further, that he is constantly making contacts with other men and women for the benefit of all human beings concerned. Such activities all come within the scope of Economics.

Turn now to your History class. Among the lessons you did there you may recall the Peasants' Revolt in 1381, the Dissolution of the Monasteries, Elizabeth's Poor Law Act of 1601, the loss of our American colonies, the Industrial and Farming Revolutions, the Trade Union movement and the Chartist Riots. These are only a few topics from the many you study in History that have aspects which receive greater light from Economics. Such items, too, as Health and Education measures; Communications, Roads, and Transport; the Diesel Engine, are concerned specially with man's actions and motives in regard to making a living, and therefore come under the heading of Economic History as distinct from History which has been described as a record of man's actions and motives in the past.

Again, you must have heard discussions on the radio or at home, or read in the newspapers, about current national and international disputes—about under-employment, standards of living, barriers to export trade, location of industries, monopolies, balance of trade and transport problems, about strikes, rations and petrol restrictions. With the aid of Economics many such day-to-day affairs, of which you meantime have but a sketchy knowledge, will become clearer.

The foregoing paragraphs will have made you realize that you have been having lessons in school which you have known on the time-table as Arithmetic, Geography, and History, and so on,

Gloucestershire where land is cheap and local rates are lower? Why is Canada or Australia less densely populated than China, India or Western Europe? Such topics as these involve not only the study of the earth, but also the study of human behaviour, the study of man in his efforts to make a living and to satisfy his wants.

You can see, then, that in various branches of your school studies your attention has been directed to some of the questions examined and studied by economists or students of Economics. Now with the help of this book and your teacher you are going to give thought to some of the everyday problems which you meet, and will meet, in your school and out of school, at home, in the shops and in the workshops and other places where you are likely to spend life, both in working and leisure hours, after leaving school.

Economics Defined.

This book, then, is about Economics, which is a study of human conduct in relation to wealth. You can see examples of such human conduct in the errand boy who leaves his job to begin an apprenticeship to a trade; in the father who has to find work away from home; in the schoolboy who wonders whether to save money to buy a bicycle or whether to continue his twice-weekly visits to the cinema; in the Co-operative Society or multiple firm which sets up its shops on or near a Council housing estate.

You are about to inquire into the efforts of such people as these to get wealth and to make a living. You are to examine how man helps his fellow-man, both at home and abroad, often without being aware of how the helping is being achieved. You will investigate the work of many of your neighbours to try to

effort is required to get it—then it is wealth as the economist understands it.

Air is useful, desirable, requires human effort to get it. But it cannot be owned, and it is not scarce. Therefore it is not wealth. Sand on a building site is wealth, but in the Sahara Desert it is not. Why the difference? Ice at the fishmonger's is wealth, but it is not wealth as part of a Greenland glacier.

Again, an Arsenal centre-forward, the director and producer of a film, a successful comedian, and an architect all possess personal wealth in the various kinds of skill they exhibit for giving pleasure or performing a personal and professional service. A plumber's tools and a dressmaker's sewing machine, too, are examples of wealth to produce further wealth, while public buildings, post offices, art galleries, and parks may be referred to as public or social wealth.

Now examine the items listed below to see whether or not each is wealth within the meaning given to it by the definition above. Only if it fulfils all four qualifications can the thing you are considering be termed wealth.

Sunshine; a dentist's skill; Siberian forests; a public library; fish in the sea; a good voice; Chelsea F.C.'s pitch; a lathe; this book; honesty.

Further Definitions.

The phrase "man's actions" has already been explained as "human conduct"; "ordinary business of life" refers to earning a living and getting an income and spending it. "Income" includes, not only wages and salaries, but such payments as interest on savings, dividends from investments, and rent from houses and land used by the owner or some other person. The lettuce you bring from your allotment and the rabbit you are

are labours of love, and, as such, they do not come within the sphere of Economics. When Dad has a game of bowls, his efforts give him pleasure and recreation, but they are not economic efforts. The tennis professional, on the other hand, gets pleasure out of his game, but he is primarily giving an economic service—in coaching or giving an exhibition—for which he receives a fee or a payment. This is, in fact, his way of making a living. When you go to a Salvation Army Band practice your efforts are not economic because they are not aimed at increasing your income. Likewise a game of table-tennis or draughts at a youth club results in the expenditure of physical and mental efforts without a cash return.

Finally, remember that countless thousands work because there is a joy in work. Though through doing it they receive an adequate living, they do not work primarily for money, but because they enjoy being occupied, or because they are miserable when they are not engaged in work of some kind.

FOR FURTHER STUDY AND DISCUSSION

1. Say which of these are economic wealth and which are not:
a school building; sea-water; good harbours; an anti-aircraft gun; a professional golfer's skill; an amateur violin player's talent; a mother's cooking skill; home-made jam; the pleasures of camping; a church service.
2. Is it better to be lucky than wealthy?
or
Is health better than wealth?
3. What is the difference between the wealth of a community and its welfare?

CHAPTER II

WHAT IS A GOOD JOB?

As soon as you see the above question you may answer, "The job with most wages." If so, you will be partially right, but not entirely so, for many other points have to be considered. Some jobs are better paid than others, it is true; on the other hand a few vacancies notified by employers as well-paid jobs are difficult to fill while at the same time there are people who have had little or no regular work for months on end. Again, many occupations, because they are considered clean and comfortable, attract newcomers but do not hold them; and even where workers remain for years in their jobs there are not a few "square pegs in round holes". It seems very confusing for there appear to be no rules, and, as a matter of fact, it is a very difficult problem. To you, therefore, who hope, within a year or so, to become a worker, it should be both interesting and profitable to find out what it is that helps to make some trades or callings better or worse than others.

To mention actual cases. Why should a railway platelayer be paid less per week than an ordinary clerk at the Town Hall? Why should a shorthand-typist get £6 a week and a charwoman much less? Why should one well-qualified engineer receive £2000 a year while a similarly equipped colleague is glad to work at the bench for £7 to £10 a week?

"Mr. X. has a good job," you say, or "Tom Smith has started

at So-and-so's factory with excellent prospects," or "Miss Y. has landed a good billet," or "Mac's all right. He works for the Council."

Now what is there about a candidate for a situation which gives an almost certain assurance that he or she will make good? Part of the answer to this question is obvious. He must show ability and willingness to fill the post to the satisfaction of the employer, and he must have the opportunity to secure the right post when it is available. There is no royal route, however, to the most suitable employment. If the candidate is in the appropriate district; if his parents and/or teachers are in touch with the requisite employers; if he is the right sort of person, the initial opportunity is there for him to make or mar as he and circumstances decide.

"A tall order!" you feel inclined to remark. Is it an impossible one, though? Look at the grown-ups you know. Have not many of them found themselves in a calling which is satisfying, even allowing for occasional grumbling? You too, then, if you are guided, and if you are armed with the knowledge of the experience of others in the past, may find yourself in an equally satisfying position and may certainly avoid some of the mistakes that have led to unhappiness at work, or to under-employment or low earnings.

Here are a few *don'ts* for your guidance:

1. *Don't* think that a big commencing wage is all-important.
2. *Don't* enter a blind-alley occupation if you can help it. A blind-alley is a street or road walled up at the end. A blind-alley occupation is one such as going errands or delivering newspapers that does not usually lead to good prospects or a career.

3. *Don't* enter a seasonal employment if you can avoid it. A post for a few weeks during the holiday season at a seaside resort, or that of an ice-cream salesman during the summer months only, should only be taken if nothing better is in sight.
 4. *Don't* adopt the idea on leaving school for a post that you need no further education. (Further education does not include efficiency at ping-pong or dancing; these are recreational activities, worth-while at proper times and in reasonable amount.)
 5. *Don't* despise a dirty job. Motor-mechanics and miners do essential work, and most of them are proud of it.
- Can you add five more *don'ts*? Try to do so after a class discussion.

A Good Job and How to Get It.

To return now to the question of what jobs are better than others, of what makes them good or bad, better or worse?

1. The first consideration is that a good job must last, that it must offer security of tenure. This means that, providing the worker shows reasonable efficiency and is honest and reliable, he (or she) can go on in employment during the normal span of life till old age. It must be noted here, however, that many girls in good positions find it quite satisfactory to leave excellent employment for the more satisfactory state of marriage; also that many married women do justice to both home and a career.
2. Wages earned ought to graduate, in due course, from the apprentice standard to the full adult amount.
3. There should be neither slack times nor too much overtime.

4. Reasonable hours of labour, comfortable and safe working conditions, and at least one week's paid holiday a year, are other desirable qualities of good employment.

5. A good worker should be able to look ahead to promotion as a reward for merit and loyalty, or for special efforts.

Bearing these five points in mind, the thing for you to do, when considering a career, is to consult your teachers and also the Youth Employment Officer, if there is one; and with their help, firstly, to examine what occupations with these qualities are followed, and may be open, within reasonable reach of home; secondly to decide whether you would like such a position, if available, and you have the required qualifications. Once all this is settled, you can then make inquiries as to openings, being prepared, however, to meet conditions which are not fully in accord with all your desires or expectations.

It must be admitted, of course, that many school-leavers are unable to pick and choose because opportunities don't exist. Especially is this the case in areas where there is only one trade as in a colliery or agricultural village, and where it is not always easy, nor is it always right, for young people to leave the shelter of the parental home to seek occupation elsewhere.

Occupations Classified.

At this point you are invited to note how all occupations can be classified under four headings as follows:

1. Extractive work.
2. Manufacturing and constructive work.
3. Commercial work.
4. Direct services.

This classification could not have been made once upon a time for in days gone by nearly everybody was engaged in an extractive occupation. The man and his family lived their whole lives in close connexion with the soil. They grew or caught their own food, made their own furniture, built their own house, made their own clothes, and, altogether, life was a simple affair. It was not an easy existence, but it certainly was not as complicated as in modern days.

As industry developed and wants increased, however, it was found advantageous to divide the work to be done so that men and women became specialists; that is, they did only one set of duties. Thus to-day the butcher, the baker, the grocer, the teacher, the comedian, and thousands of others are specialists, each performing only one kind of work from amongst the four groups noted above. So, too, are the many workers in large industrial concerns as, for example, Ford's Motor Works or a ready-made clothing factory.

Under modern conditions of mass-production there is advanced specialization, for a worker may daily repeat the same operation hundreds of times and yet rarely get even a glimpse of the finished article. There may, for example, be as many as fifty little bits of work, each done by a machine supervised by a man or woman, before a pair of shoes is produced. With this increased specialization have come machines that save labour and speed up production and bring with them many advantages and disadvantages to the nation and its workers. Can you think of some of these?

1. *Extractive Work.*

Mining, stone quarrying, gardening, agriculture, forestry, and fishing are extractive industries whose products are the founda-

tions on which all other occupations are based. Without clay for bricks, sand for glass, timber for joinery, lead for plumbing and for metalwork, no building can be erected; without food from the fields no worker or other person could go on for more than a day or two. In fact, it is true to say that everything around you and on you was originally an extract from the earth and the waters upon it. Test this last statement by finding out what is the beginning of each article in the room, on your person, and on the table at meals. Your discoveries should make you realize how immensely important are the chief extractive industries, agriculture and mining.

2. Manufacturing and Constructive Work.

The processes that are involved in making the raw materials into the finished products ready for the user, or customer, or consumer, are known as production.

The people engaged in these processes (they include landlords, labourers, capitalists, and organizers, of whom you will learn more later on) take the raw materials of agriculture, mining, quarrying, forestry, and other extractive industries and change them so that they can be used in homes, factories, and other places where they are needed. Thus clay is turned into bricks or pottery, coal into gas, coke and other products, and sand with other ingredients into glass. The cotton-workers of Lancashire, the concrete-makers of Lewes, the tailors at Leeds, and the dyers of Perth are examples of workers in manufacturing industries; house- and ship-builders are workers engaged in constructive work.

The term raw material may seem confusing when used in certain senses. The tailor thinks of rolls of cloth as raw material, and the builder may consider steel beams in the same way. In

this chapter, however, raw material refers to the product of labour working on nature, labour applied to the land or sea. Wool after the shearing, stone from the quarries, felled tree-trunks, and fish on a trawler are examples.

This occasional confusion has been expressed in these words: "What is the finished product in one workshop may become the raw material of the next."

3. *Commercial work.*

When goods are ready to be used or consumed, to use the word frequently employed in Economics, they have to be put into the hands of users or consumers or customers, by being sent to where they are wanted, to where they can be sold and used. This is commercial work and employs an increasing proportion of the community; and the agencies (commerce, finance, transport, insurance) which help in transferring the goods are classified as distributive. They include shopkeepers, salesmen, lorry-drivers, railwaymen, clerks, errand boys, bank officials, advertising and insurance agents, and a host of others. Some of these are referred to as middlemen or people who help goods to pass on their way from producer to consumer.

If a middleman helps to make goods pass smoothly on their way to the consumer he performs a good service for which he is rewarded. If he is not really necessary to the flow of the goods, however, he is only adding needlessly to their cost. The man who buys a million toy balloons direct from the rubber factory and sells them in grosses to retailers is a middleman. Is the term wholesale buyer better? The potato dealer at the vegetable market is a wholesale buyer and salesman, for he buys hundreds of tons from the growers to sell in small hundredweight lots to green-grocers and hawkers.

4. *Direct Services.*

Outside the workers in the three groups already mentioned there is a huge group of workers who give their services directly to other workers. The doctor, for example, does not handle the raw materials, nor is he engaged in manufacturing, constructive, or commercial work; neither are teachers, lawyers, soldiers, sailors, policemen, musicians, actors, clergymen, and many others. Instead they give service by making their personal abilities and the results of their training directly available to other men and women.

Now that a brief survey of occupations has been made some estimate of their relative attractiveness may be attempted.

What usually makes certain employments preferable to others is wages or salary, for the amount of their remuneration almost always decides the *Standard of Living*, sometimes called the *Standard of Comfort*. A man with a comfortable income eats better and more varied food, wears better clothing, has a roomier and more convenient house, and has more holidays and entertainment than a person whose wage is low. The more prosperous man is thus said to enjoy a higher standard of living than his less fortunate brother. It is income that most often decides this standard; and this is true even when most basic necessities are rationed or controlled.

But do not make the mistake of assuming that worldly possessions are everything. They are useful, no doubt, and not to be despised. Remember, however, that some workers are attracted to and remain in an industry even when cash returns do not seem too good, simply because they find a joy in the particular occupation. Remember, too, that a contented mind, a cheerful disposition, the joys of family and friendship, good

health, the delights of reading, music and art, are desirable and worthy objects attainable by all, irrespective of worldly possessions. And do not belittle the man who has found heaven on earth in the joys and consolations of religion and worship.

On the base of a statue in Peel Park, Salford, this sentence has been chiselled, "My riches consists, not in the extent of my possessions, but in the fewness of my wants." What do you think of it?

Income Differences and the Reason for Them.

We are now ready for part of the explanation as to why a teacher gets better pay than a bricklayer's labourer; why a doctor has more income than a lorry-driver; why, in fact, differences exist between the salaries and pay-packets of many thousands of workers.

1. Workers in an industry which is newly established and making high profits, or enjoying some other advantage, tend to share in the higher rewards to the industry. But high profits attract imitators and competitors, and the result is that the pioneer employers lose their advantages. Profits become smaller and wages are reduced or fewer workers are employed.

The makers of wafer blades for safety razors were in a fortunate position in the early days of the invention. They had the market to themselves—had a monopoly, as we say—and their returns must have been very satisfactory. Now there are dozens of firms in the same business and profits have dwindled owing to this competition.

Those engaged in the making and selling of wireless sets soon after radio became a practical matter did very well because they were first in the field. Many competitors, however, have since come into the industry and some price-cutting has had to be

made with a consequent tendency for reductions to be made in wages and profits.

2. If a piece of work requires little or no skill, if it can be done by a man or woman or young people with little or no training, there will normally be many people to do the work. Unskilled labour, accordingly, is usually poorly paid because wherever there is competition for work from among people wages can be kept low. Thus a bricklayer's labourer receives pence less per hour than his skilled colleague, the bricklayer or the plumber. Conversely, skilled persons being few in number and therefore less easily obtainable by employers expect and get better pay than their unskilled mates. Thus the pay-packets of skilled mechanics or carpenters are bigger than those of unskilled workers in the same trades.

3. A child who is dependent on his parents, whatever his age, may be considered an infant. In his youth he is nurtured and prepared for his adult life, and if his period of dependence is prolonged so that he can pursue his studies or serve an apprenticeship, he ought to get some eventual return for prolonged preparation for his career. This necessity for long training reduces the number of entrants for any particular profession or occupation, and so frequently results in comparatively higher payment. A doctor, for example, does not qualify until he is well over twenty. His higher rewards are, in some measure, to recoup him for the outlay during his many years as a pupil at school and university.

Cost of training does not, however, always result as just described. Ask a briefless barrister, or some newspaper reporters, or a clergyman with a low stipend how each looks at the problem. It is further complicated when you realize that personality

affects the income in some professions. Dr. A. attracts patients by his charm and pleasant manners, and so earns a very substantial income. Dr. B., on the other hand, who is a much better doctor, but lacks some of the personal graces, has fewer patients, private and state, and therefore has a smaller income.

4. Sometimes a man will receive some addition to his wages because there is danger or discomfort attached to the work. With this in mind compare the wages of a scavenger, a bus-driver, a sewerman, and a fireman.

5. A strong trade union may help to increase members' wages and to improve other conditions of labour. The situation that helps them most to keep wages high, and to improve them, is that in which a factory, or mill, or workshop-owners have plenty of orders in hand coupled with a shortage of skilled and unskilled workers.

After the Second World War there was a serious shortage of manpower, due largely to the rapid increase in production required in order that the country might export manufactured goods to pay for imports of food and raw materials. In addition, some of the new social schemes introduced to establish the Welfare State involved the appointment of new officials. Even the return of married women to industry did not fill all the vacancies. One of the results was higher wages and salaries, since better rates of pay tend to be offered when the demand for men and women is high.

6. If you can get into an industry that is sheltered from foreign competition you have many advantages as compared with workers employed in making materials or giving services which can be supplied by competitors abroad. No one, for example, outside the country can supply transport or municipal or social

services; the employee in any one of these services is thus sheltered from the pressure of competitors from abroad. So too with farm workers. In the days when produce from home farms had to compete with that from abroad the farmer's returns were depressed and so he could not afford to pay high wages. Now that the farmer gets guaranteed prices for home produce, he pays his workmen comparatively well.

7. Some trades command higher pay because of tradition. Engine-drivers and motormen on the railway are the aristocrats of the transport services. Compositors and printers, too, enjoy a tradition of good wages. It may be because of greater responsibility. Why then should not the signalman and the crossing-attendant receive similar favour?

8. Speaking generally it may be said that the rewards for direct services and administration, and in the directive departments of commerce, are higher than for the artisan or workman.

Women's Wages.

Are there any sound reasons for women's lighter pay-packets as compared with those of men? Certainly some of the ladies occasionally tell the world that they feel they are being unjustly treated, and their slogans, "Equal pay for equal work" and "The rate for the job" invite the public to examine their claims for better treatment, and increased rewards for their services. In the course of this examination many questions arise.

Is there a tradition that women should take less pay? Do they need less food? Do they pay less for a railway journey? Is their work as valuable as men's work? Have they fewer responsibilities? Why are a man and woman, working in adjoining rooms, or even side by side, on the same job, paid according to different

standards? Is it because many girls look upon their work as temporary before marriage? Or is it because some women are not keen trade unionists? Can't the same be said about men?

The usual answer to women's pleas for equal pay is that a man is normally a breadwinner and head of a family, the most important group or unit of the nation, and that there should therefore be additional consideration for him because of his extra responsibility. "But why," demand the ladies, "seeing that he now has certain family allowances and relief of Income Tax?"

It would be interesting and useful for you to examine this problem fully before coming to a definite conclusion. Get as many facts and figures as you can; then arrange a discussion or debate. Let it be calm, without anger or heat. Whatever side you take, give the other side a fair hearing. You may find that the answers to your questions are not clear-cut and that too many exceptions and allowances have to be made for personal ability and variations in professions, trades, and industries to allow a definite answer to be reached. Nevertheless the whole inquiry will be enjoyable and worth-while.

The Modification of Economic Laws.

A final note to this chapter concerns the words *tendency, usually, in many cases*, and similar phrases which seem to come fairly often into Economics. The reason for their presence is that, although a rule or law seems to operate, and should operate always, certain circumstances actually modify it. The normal rule, for example, when demand for a commodity is high and supply insufficient, is that the price of the commodity tends to rise. Sometimes, however, this tendency is not allowed its full operation, as is seen in the case of houses in recent years. Though millions of them have been erected in the last generation the

demand for houses to rent is far from satisfied and the scarcity should cause rents to be dearer. If every house, therefore, were rented at the figure it would "fetch" many more poor people would be homeless. Rents, however, are controlled to prevent this, and so here we see an economic law affecting supply and demand being legally and deliberately modified on humanitarian and social grounds.

Similarly, in war-time and in these days of reconstruction afterwards, when there are not enough of essential goods, clothing, and food, the share-out is controlled by rationing, so preventing prices from soaring, and many needy people having to do without basic necessities, a state of affairs which would eventually make the nation as a whole suffer.

Thus economic laws, if very harmful socially, may deliberately be prevented from taking their normal course.

When you take up a situation which is likely to be your career for life your parents usually take into consideration many of the findings and recommendations mentioned in this chapter. They do not, as a rule, state them, but nevertheless, these economic factors influence all the conditions of the employment you enter. This is only another way of saying that while the study of Economics is a matter of bookwork and thought, the stuff of Economics is outside books; it is the warp and woof, the main texture of your after-school life; it is the machinery and driving power of getting a living.

FOR FURTHER STUDY AND DISCUSSION

1. There is always room for a willing and intelligent boy in the Services. Make inquiries to show pay, conditions, and prospects.

2. What opportunities are there for girls in such callings as nursing? A pamphlet from the Labour Exchange will give full information.
3. Find out how the man in overalls can graduate to a post of responsibility with better pay. No doubt the headmaster of the nearest Technical School can help you.
4. Compare the value of preparation for a career through the following channels:
a Technical Day School; Technical Evening Classes; a Youth Club; tuition by correspondence.
5. Make a list of occupations of parents of pupils and classify them under the four divisions given in this chapter.
6. What does the phrase "security of tenure" mean?
7. Why do many old people of pensionable age still continue working happily?
8. Find out why the printing and newspaper industries pay comparatively high wages.
9. Mining, shipping, and textile manufacturing were depressed trades before the Second World War. Make inquiries to discover the causes of distress. Why have conditions improved since the end of the War?
10. Give instances of the change of fashion or the invention of machinery causing temporary unemployment.
11. "Happiness first, health second, and wealth third." What do you think about this advice on living?
12. Why is the number of candidates for the Civil Service yearly high?
13. After the Second World War there was a shortage of workers in many industries and occupations. Why?

14. Service in the Defence Forces may be a career but may also be a preparation for civilian life. Obtain particulars from the nearest recruiting office in support of this statement.
15. Get a list of staff employed by the Health Committee under the Medical Officer of Health. Find out the qualifications, pay, and prospects of each member of the staff.

CHAPTER III

GETTING THE GOODS

Production.

At the end of the term John Robinson came home with some of the useful and ornamental objects he had made in the handicraft period. They were a pipe-rack, a corner table, and a portable book-shelf. He was rather proud of them, and he had reason to be so because they showed neat and careful workmanship.

Now John's Dad was a bit of a wag and he loved leg-pulling. At the same time, he was an adept at explaining things.

"You didn't make those things, my lad," he said, giving a wary wink to Mrs. Robinson.

"Oh yes, I did, Dad," countered John.

"They're very good, youngster, but I still say you didn't make 'em yourself. You couldn't do it."

"But I did, Father! You can ask our handwork teacher, Mr. Plank. He didn't help me a bit after he'd passed the drawings that he expects us all to show before we begin a model."

John was getting slightly irritated at what he thought was a belittlement of his powers. "I wouldn't say I'd done 'em myself if I'd had any help," he added.

"No, son, I know you wouldn't. I'm only teasing you. But what I was trying to show you was that no one really creates anything; he only alters the place, or form, or shape of things." He pointed to the pipe-rack. "In the form of rough wood,

pieces of wire for nails, and glue, this article is not very satisfactory. You worked on these materials, however, and the completed pipe-rack satisfies a desire."

"I never thought of it that way," admitted John. "And now I want my tea, please, and I'm going to satisfy my desire for those rock buns."

"Your sister made 'em at school," said Mrs. Robinson.

"They, too, are materials so altered as to have greater utility than before Mary worked on them," added Mr. Robinson.

"The change of form and shape has made them desirable and agreeable; at least Mary and her cookery mistress hope so. Every worker is adding to the utility of the things he helps to make."

At this moment John seemed more interested in his tea than in his father's words, but the whole subject cropped up again in school the following day during a talk on careers. It was a class of boys and girls whose average age was just under fifteen. Some of the boys were going to work in the woodwork department of the local building company:

"You've been round the workshop with me," said the teacher. "What were the men doing?"

Explanations and descriptions came from the boys, and some showed keen powers of observation. One remark the teacher took up.

"I agree with you, Wilson. The work was a part of the production of houses. What do you mean by production?"

Various answers were given and they were pieced together, trimmed, and put on the board and in note-books in these words:

"Production is the alteration of things by man's efforts so that they become useful and agreeable."

"Production is devoted to the creation of utilities in objects so

that they shall satisfy a want, so that they can be offered for sale."

"Yes," said the master. "You've put it well. The wood and glass for those window-frames and doors were of little use until they'd been shaped and fixed for the houses to be built. That shaping and fitting, much of which consisted of moving things to the place where they could be used, was a part of the production of a house, or of a poultry-shed."

"Will I help in production when I go errands for the foreman in the joinery shop?" asked Peter Smith.

"Of course you will," put in his twin sister in the same class. "If you carry screws from the store-room to the shop you'll be adding to the utility and value of the doors of which they'll be part."

"A good point, Joan," said the teacher. "Will you be engaged in production when you start work as a clerk in the electricity show-room?"

"Yes, sir. My letters will add to the utility of the cookers offered for sale. They'll be of greater use in a cottage kitchen than in a shop window."

"Good!" The teacher was very encouraging. "The market-gardener—as you're going to be, Thomson—is helping in production when he transplants cauliflowers or tomatoes. So is the man who brings them to your door. Thousands of people may have a working share in the production of an article, and the moment it's sold to the final consumer or customer, production ceases and consumption begins."

From Sheep to Gym Tunic.

Another talk in the following month took up the theme of the lesson just reported. The teacher set the ball rolling.

"Let us trace Mary's gym tunic or my suit from the beginning

right through to Mary or to me. What was the beginning?"

"Sheep in Australia, or New Zealand, or on the Pennines," came from the class.

"Very likely," agreed the master. "Now tell me some of the operations leading from the sheep to the finished garments."

Answers from the pupils were: "Shearing, sorting, cleaning, packing, transporting to the port; shipping across the seas; preparing documents, including insurance; customs; unloading; selling by auction in London; carrying by road or rail to Leeds or Bradford; spinning, weaving, dyeing, tailoring, selling."

"Quite right. All this work has to be done before the garment can be worn. What about the many people who help to alter and move the articles? These operations give employment to many workers, all producers, and all having to be rewarded for their efforts. How much do you think a wool-shearer in Australia will get of my 200 shillings for a suit or out of the 50 shillings paid for Mary's blue serge gym tunic?"

Figures were given by the class, but it was soon realized they were all guesses; no exact figure could be given. It was finally agreed that it would be very small for one garment, but from the money paid for the millions made and sold (someone has estimated that in London alone more than 5,000,000 suits are sold annually) all the producers would receive their due payment.

Consumption.

Consumption might be considered as the opposite of production, or perhaps, more correctly, as its complement; and the process of consumption may take a minute as when you eat an ice, or it may take two hundred years as in the case of a town hall which goes on being used for generations.

The chief end and aim of every productive effort is to create

utilities in things or services for use or consumption. Thus the baker and his assistants put forth efforts; they prepare the dough; they put it into the oven at the right temperature; they deliver the loaves so that the customers can consume them, literally and in the economic sense.

So, too, many materials and services have been put into the production of this book, which will be in slow consumption when it gets into your classroom desk.

Exchange of Services.

What is the chief aim of the many individuals who have given these services? To some extent there is the joy and satisfaction that is won from putting forth efforts, from working, but on the whole these people do their work so as to acquire the money that will enable them to procure the services of others. The money would obviously be useless if it could not be exchanged for butter, and suits, and shoes, and cinema seats, a house, and the many other things that make life worth living.

This idea of exchange is very important and repays longer consideration. People in your town or village go about their daily jobs to serve others and to receive services in turn. Mr. Lait, for example, is a master-dairyman. He leaves bottles of pasteurized milk at the houses of the cobbler, the teacher, the grocer, the chemist, the rate collector, the sanitary inspector, and many others. The money he collects for this service he (or his wife) spends at various shops—at the cobbler's where his shoes are mended, at the tailor's where his suit is made, and the chemist's where he buys his pills. Some of it, too, goes into the pockets of those who give him direct services—the teacher, say, who teaches his children, or the sanitary inspector who visits his dairy.

If you trace the whole of the activities of men and women at work in your town or village, you will see that each worker is giving his services, so as to have the benefit of his neighbours' services in exchange. Neighbours in this connexion include those living near to one another in the same town or village and also many people at a distance. The Leeds multiple-tailor exchanges services with the Oldham cotton-spinner; the South Wales tinsplate worker provides the Southampton seed-grower with temporary sheds, and uses Southampton-grown seeds on his allotment. The idea can be extended to cover the exchange of services between the New Zealand dairy-farmer and the Birmingham motor-worker, or a landlady at an Eastbourne boarding-house and a London policeman.

Agents of Production.

Here is an example of the different agents who co-operate in production.

Jim Ledman, a plumber, Tom Clay, a bricklayer, and Sam Wood, a carpenter, lived in the same street. They often worked together on the same buildings and frequently met for a chat and a game of bowls or darts after the day's work was done. Their allotments were in the same enclosure, and as you will have noticed among amateur gardeners, they were not averse, occasionally, to having a yarn during the intervals between one period of digging, or hoeing, and the next.

Said Jim one evening during such an interval, "I've been thinking."

"Strange!" said Tom playfully.

"Let's have the results of your cogitations," Sam invited.

"Well, it's this way. I'm tired of working for masters. I'd like to start on my own. I've helped to build dozens of houses

and garages, two cinemas, a clinic, and a town hall. And what have I got out of it all?"

"You've made a living, and you've been lucky enough to lose no time through slack trade or illness," said carpenter Sam.

"True," admitted the thinker. "But why shouldn't I be my own boss—or at least one of a group of working partners, say the three of us. Frank Brush, my brother-in-law, is a painter. He might come in too."

"Too much risk. Not enough capital. We might be idle for weeks. We're all right as we are," rejoined the others.

Conversations, like the one reported, again and again occupied the attention of the small gathering, now four in number, because Brush was often with them. Many an evening that summer was devoted to discussion, argument, and planning; and by the autumn plans for a partnership were near completion.

"We'll each put some of our savings in a common pool and we'll rent that shed and yard for a store and workshop. We can't pay for all our plant at once, but we'll borrow from the bank and friends. We'll build houses if we get contracts. In any case, we'll do jobbing and repairing—and there's a lot of war damage to put right. Look how tired-looking some houses look because they need a coat or two of paint."

The shed and the land beside it were duly rented. Several small jobs came along, but because they had to get more ladders, a hand-truck, scaffold-poles, planks, nails, screws, hinges, and many other items needed by builders, the four men had a hard and anxious time making both ends meet. Remember they had to keep themselves and families all the time. With effort, however, the partnership gradually came through its difficulties, and at last began to be known as a firm that was reliable, charging reason-

able prices, offering workmanship of high standard, and doing jobs on time.

They erected a school canteen ready for use a fortnight before contract time, and they painted a row of Council houses, making a fair profit even though they were pounds less than a competitor when they offered, or tendered, to do the work stating price to be charged. Ledman, Clay, and Company had, in fact, become a flourishing business.

The whole of this venture might now be more closely examined. What were the factors involved and in co-operation?

(1) An agreed weekly amount was taken by each partner for his services, and wages were paid to other skilled craftsmen and labourers who worked for them.

(2) Land was rented, and materials and plant were bought.

(3) The bank and the friends who lent money did not do it out of kindness; they expected and received interest payments for the services they rendered by lending capital.

(4) In the second year of the venture the building of the canteen and other jobs gave the company a clear £1000 profit. That was a reward for their organization, their management, their enterprise, and for the risks they took in getting together all the items, material and human, that were combined to complete the various contracts. The partnership might have failed through bad management. Their reward for beginning well and taking the risks was the £1000 profit, much of which went back into the business to provide more equipment, more plant. Thus the cement-mixer and lorry they bought were wealth put by to make further wealth, that is, part of their capital.

Four factors, then, were closely associated to produce the canteen, a piece of wealth. They were (1) labour, (2) land,

(3) capital, (4) organization. The providers of these were (1) the labourer, (2) the landlord, (3) the capitalist, (4) the organizer, and they received for what they provided, (1) wages, (2) rent, (3) interest, (4) profit = W.R.I.P.

It may be clearer if stated in tabular form.

1. LABOUR		LABOURER	who com-	WAGES
2. LAND		LANDLORD	bine to	RENT
3. CAPITAL	pro-	CAPITALIST	produce	INTEREST
4. ORGANIZA-	vided	ORGANIZER	wealth, and	PROFIT
TION	by		to receive	
			as reward	

Note that land is classed by some as being a special form of capital, in which case our list would contain only three factors of production.

A Bottle of Aspirins.

A lesson on this subject has often been given, and you are invited now to imagine that you are listening-in to the statements, questions, and answers heard in a classroom when one such lesson was taking place.

Teacher: This bottle of tablets cost me a shilling. Who provided them?

Pupils: The chemist—Boots.

Teacher: Yes. I got it from Boots, though I could have got it at Timothy White's or from many another chemist's shop. Millions of aspirins are made and sold yearly. Where do all the shillings go to?

Pupils: To the shop-girl; to the chemist; to pay for chemists and experiments at Nottingham; to pay for glass containers; to pay for the metal cap; the cost of the label; to pay for wrappings.

Teacher: Let's put those on the board. Are those all that the shillings pay for?

Pupils: No. They help to pay for rent of shops; expenses at chief laboratory; for transport; for insurance; for heating and cleaning shops and factory.

Teacher: True. But what about the tablets?

Pupils: The shillings pay for the drugs; for the wages of chemists and shop assistants; for chemicals and apparatus to maintain purity.

Teacher: The shilling for aspirins seems to do quite a lot. If there's anything over what is it called?

Pupils: Profit; gain.

Teacher: Who gets it?

Pupils: The owner of the chemist's shop; Boots; the shareholders.

Teacher: Who else gets something of the shilling?

Pupils: Shop assistants, managers, chemists, errand boys, cleaners.

Teacher: What about the owner of the shop premises?

Pupil: The landlord—he gets rent.

Teacher: Now the shareholders—what about them? What do they do?

Pupils: They invest or lend money. The banks may lend some too.

Teacher: What was bought with this money lent?

Pupils: Counters, chemicals, drugs, bottles, equipment, stock, glass cases.

Teacher: What name is given to equipment and stock of this kind which helps to make an income, helps to make more wealth?

Pupils: Capital.

Teacher: What is the owner of capital called?

Pupils: Capitalist.

Teacher: What reward does he get for the loan of his capital?

Pupils: Interest, as with National Savings.

Teacher: Now the last item. The management seeks to make a profit from supplying aspirins to the public. Risks are taken in estimating what amount the public will buy. The reward for good organization or management of labour, land, and capital is profit.

After expenses are met, therefore, and replacements of goods sold are made, the proceeds of our bottle of aspirins are Wages, Rent, Interest, Profit—W.R.I.P. for short. Another way of putting it is to say that the ingredients of price are W.R.I.P. payments.

Try to work out a similar scheme of W.R.I.P. in regard to a football jersey or a hockey-stick.

FOR FURTHER STUDY AND DISCUSSION

1. The corner-shop grocer, running a one-man business, may be labourer, landlord, capitalist, and organizer all in one person, himself. Exemplify by reference to a shop you know.
2. Lipton, Woolworth, and Marks and Spencer have branches in most large towns. Why do they usually do well?
3. Some shops hold special spring and/or autumn sales. Why?

4. Mass-produced suits are generally cheaper than those made by small tailoring firms. Why?
5. What is a monopoly? Give examples in your town or nearby town. Does a monopoly always pay the owners?
6. Compare time wages with piecework payment.
7. Make inquiries concerning (a) minimum wages, (b) the regulation of the number of apprentices, (c) cost-of-living figures, (d) over-time rates, (e) paid holidays, (f) black market, (g) food subsidies, (h) utility goods, (i) controlled prices.
8. Your savings will become capital, i.e. wealth devoted to making further wealth. Explain this when your savings are with a Building Society, or in National Savings Certificates, or in the Post Office, or in Co-operative Society shares, or lent to an older brother starting a little business of his own.
9. If a newly established bank or building society offered to pay 8% on money lent, lenders would be in danger of losing their money. Why?
10. "Nothing can be achieved without the profit motive." Give instances to show that there are exceptions to the truth of this statement.
11. "Good service and satisfied customers will mean satisfactory profits." Comment.
12. How does a municipal (or state) concern dispose of its profits? What about a loss?
13. Is a novelist or a poet a producer?
14. What are death duties? What is their effect on huge amounts left by millionaires?

15. Do *one* of the following:

- (a) "Labour-power is the working-man's only capital."
Discuss.
- (b) List in columns the pros and cons of specialization to
(i) workers, (ii) employers, (iii) the nation generally.
- (c) Find out what you can about mass production of cars
at Ford's at Dagenham and elsewhere.

It is possible for him to advertise in a local paper, and so make the exchange he seeks, but what will probably happen is that he will sell his machine for, say, £5, then go down to the second-hand shop he knows and pay his £5 for the home cinema displayed in the window, a display that first made him want to have the apparatus.

Money as a Medium of Exchange.

Now take another case of exchange. Mr. Pike, the fish-hawker, buys a load of herring and pays 30s. for them. The hire of his barrow costs 2s. 6d. Through street after street he calls out his wares: "Herring, sixpence a pound!" By noon he has been fortunate enough to sell nearly all, and in his pockets are scores of fishy coins. He sells the last few at reduced rates and takes six home for tea.

Mrs. Pike meets him at the door, and while she is preparing a meal he washes himself and his takings and then counts up—£4. 2s. 6d.

"Here y'are, missus," he says proudly. "Twenty-five shillings for the house; half a crown for me; the rest for to-morrow's buying in of more fish to sell. And I'm thinking of putting away a few shillings to get a bit of capital, a barrow all my own."

Mr. Pike's half-crown helps to pay for some cigarettes at a shop to whose owner he sold fish earlier in the day. Meanwhile, Mrs. Pike visits several shops and makes purchases with the money her husband has obtained for the fish he sold. While they are having supper, Mr. Pike, being a thoughtful fellow—perhaps he has listened to wireless talks and has learned to examine many of the ordinary happenings of his life with a more penetrating eye—holds forth like this:

"D'you see what happened to-day? My herrings were

exchanged for a quarter of tea, two pounds of sugar, some sausages, onions and ten cigarettes; also some mending wool. There was no trouble in making this exchange because money made it easy for me to give others the benefit of my fresh fish through my work as a salesman, and for us as buyers to obtain the food and wool."

Smart fish-hawker, isn't he?

What he is really saying is that money acts as a smoothing means so that exchanges of goods and services can be made. It is money that makes it possible for most of the business of life to be carried on, not only between people in the same town or village, but between distant towns and countries. So you saw in a previous chapter how people are dependent on one another, how the work of the warehouseman in London, the miner in Scotland, the printer in Cardiff, and many others are interconnected and interdependent; how the complicated machinery of producing goods and services is kept in motion to satisfy wants.

The oil that keeps the machinery going with a minimum of friction is *money*.

"The love of money is the root of all evil", you may be told, and it is true that to some people it is the cause of much distress; certainly the lack of it can be very distressing. You will see, however, that money is not sought by normal people for its own sake but because it is the means of obtaining other things; and that it is because prices are always in money that the value of an article or service can be compared with another.

Suppose your father, a plumber, gets 30s. a day as wages. When he pays exactly that amount for trousers for you, he has, in effect, paid a day's wages for the garment. The value of a day's plumbing service is equal to the value of the trousers, and money has been the means for comparing these two values.

Cabbages for Shoes.

Mr. Hortus, the market-gardener, goes down to his cabbage-plot to find how many are ready for pulling. He loads up eighty, and just as he is driving off, his wife calls out:

"Are you going past Leather's boot-shop?"

"Yes, when I've got rid of these greens. What do you want me to do? Fetch something back?"

"A pair of shoes for Sam, size two."

"I'll try to remember," Mr. Hortus replied.

"I know what your memory is when you go my errands. It's a forgetry, not a memory," chaffed the lady. "I've written it down on this envelope. Put it in your wallet."

Before putting away the envelope safely, he read, "Shoes, black, rubber soles and heels, size two."

He received 25s. from his shopkeeper-customers for his cabbages and then bought the shoes. He made other sales, too.

The value of the eighty cabbages and the value of a pair of shoes each came to 25s. The money made the exchange easy. Money is a medium of exchange, and with its help values of objects can be measured, and each party to the exchange gets the satisfaction he desires.

Money as a Standard for Deferred Payments.

Mr. Tom Brown has been at last persuaded by his wife to go out and buy himself a new suit. On the way to the main street he meets his brother Jim.

"Hello, Tom, where are you off to?"

"Going for a new suit. The wife's been at me for months to get one. She says my best is now only fit for week-day wear. And she's right."

"Where are you going to get it? How much?"

"I'm paying about £9 at Burton's or Willerby's."

Now Jim's wife had been ill for some time and had been recommended to go away soon, and they just could not afford it.

"I wonder whether you could put off getting the outfit," suggested Jim. "Doctor says the wife would fully recover if she had a holiday now. It can be provided free but extras'll cost about £9. Would you lend me the cash for a few months? I'll pay back when I get my Christmas bonus."

"Certainly, Jim," heartily agreed Tom. "Burton's won't run away, and I'll be able to get the same sort of suit for the new year."

Both brothers know that, in normal times, the money will be constant in value and will buy approximately the same number of things now as later on. In this sense money is a standard for deferred payments, or a store of value. This virtue does not always operate, of course. Prices may change slowly or suddenly, as you will have noticed when too many plums or peas come to the market and they are sold off cheaply. Again, you will remember that during 1950-51, when there was war in Korea, prices of nearly all necessary and luxury goods and services took an upward surge. Almost weekly the shopkeepers had to say, "It's gone up," and it was not because they were trying to get extra profits. As a result there was grumbling and discontent among the workers who asked for and were granted pay increases. Even so, they found that with more money they could buy less than in previous years; money was certainly not constant in value during this period. Generally, however, money keeps the same value for long periods and changes usually are slow.

You sometimes hear of eccentric persons who look upon coins

as a store of value to be put under floor-boarding, or under mattresses, or in an old stocking. Such miserly hoarding is foolish. Later you will be invited to discuss the pros and cons of such a practice.

Kinds of Money.

Money has taken various forms at different times, and no doubt you have heard of cowrie shells, cattle, and various substances performing the functions of money. What materials or means perform the functions of money in the world to-day? Gold (formerly), silver, copper, and nickel coins; postal orders, money orders, and stamps; bank notes; cheques. Some of these are money, and some are not, but they all act as money. Thus a cheque is not money in the strictest sense, but in almost every case where it is used it is accepted as a means of payment.

The Effect of Supply and Demand on Prices.

Strawberries in July cost 2s. 6d. per lb.; at Christmas time they fetch from 15s. to £1. Apples sell at as little as 2d. per lb. at Wareham market, near to many orchards; in London similar apples on the same day cost 8d. In 1947 a six-roomed house in Hastings sold for £2200. The same house was bought in 1931 for £800; and in the same year a house built to the same specifications cost £625 in Manchester.

These are some of the ways in which the price level of goods and services may change suddenly or gradually and may vary from place to place and from time to time. The reasons for these fluctuations are easily understood in many cases and are nearly all governed by the relationship between supply and demand. We can see this clearly if we examine the subject from every angle.

1. (a) *When demand increases (exceeds supply),*
When supply decreases (falls short of demand), } *prices rise.*

There are many examples of this that can be quoted. If, for instance, a plant disease attacked all the rubber trees in Asia, less rubber would be produced and the supply would fall short of demand. Consequently the price of tyres would rise because rubber would acquire a scarcity value unless a suitable substitute for it could be found.

Another example of this kind of thing was made plain during a housing boom when there was a great demand for bricklayers, who, then, realizing their scarcity value, asked for and obtained more pay. Again, when Britain increased its rearmament speed in 1938 there was a shortage of skilled metal-workers which resulted in higher pay being given to this class of worker. So, too, early in 1939 housebuilders found that timber had become dearer because the Government was buying huge quantities for the erection of army huts to shelter the men called up under Military Service Acts and so making the supply available to housebuilders less.

The price of rare stamps is yet another illustration. Stamp-collectors are increasing in number and the supply of rare stamps to go round them all is decreasing with a consequent rise in prices.

Sometimes an artificial shortage of supply is even created in order to make prices rise according to this rule of supply and demand. Thus, when rubber was produced in such large quantities as to cause a fall in prices and a consequent disappearance of profits, the growers agreed among themselves to restrict the amount offered for sale and the prices rose accordingly.

- (b) *When demand decreases (falls short of supply),* } *prices fall.*
When supply increases (exceeds demand), }

Because in a sunny English summer outdoor tomatoes do well and are almost more than consumers require, they can be bought in the southern counties for less than 1s. per lb. in September.

Again, when there is a glut of lettuce on the market, the price falls rapidly, whereas when supplies are very short the tendency is for prices to rise rapidly.

This same trend in the fall of prices is seen too in the case of ostrich feathers. When it was the fashion to wear these they sold at good prices. Few people use them nowadays, however, and their price has fallen accordingly. So also with tea. In the early Victorian days this was not the popular beverage it is to-day because the supply was small and consequently the price made it prohibitive to the majority of people. Now, because plantations in India, Ceylon, China, and the East Indies send plentiful supplies, prices have fallen and tea is found in every household.

2. (a) *When prices increase, the supply increases.*

During a recent bad summer the price of tomatoes rose to 3s. per lb. The growers then did everything possible to rush more to the shops and so take advantage of the high prices.

(b) *When prices decrease, the supply decreases.*

When cabbages are so plentiful that they fetch only 2d. each, the market-gardener may see little inducement to lifting his crop.

3. (a) *When prices increase, the demand decreases.*

In winter, flowers grown in hot-houses or flown from warmer climates are available at prices far beyond those asked in summer months when flowers grow in abundance under natural conditions in this country. The result is that the demand for these high-priced flowers is very low.

(b) *When prices decrease, the demand increases.*

During the summer months when lettuces are plentiful and cheap, people buy them frequently and have salads at many of their meals.

These rules or laws of supply and demand operate in most instances of buying and selling, but occasionally forces may be brought to bear to prevent them taking their course. Thus the government enforces minimum wages for agricultural workers, and men and women who are masters of various crafts and skills. Also the rent chargeable for most dwelling houses is controlled or restricted in spite of the increasing demand for them which should increase the rents. So we see that while supply and demand are usually effective to value an article or service, in other words to give its price in money, deliberate interference with the complete results of these rules or laws may be observed.

Rationing.

Rationing, that is, a fair sharing out, during and since the Second World War, shows how the Government finds it advisable to interfere with supply and demand for the nation's welfare. There is not enough bacon, for example, to give you as much as you would like, so you have to make do with less. You are

not allowed to obtain more simply by paying a higher price for it and so keeping it from someone who could not afford it at that price. This is what would happen if bacon and certain other items of food were not rationed, for, demand being greater than supply, prices would rise. Many who could not then afford to buy would have to do without, with the result that the nation's health would suffer and there would be great discontent.

A discussion on this subject of rationing, and with it of controls, priorities, and so on, would interest you all because it affects you all. Make a list of the goods and activities which are still affected in any way by a system of control; then estimate what would happen if all controls were to be done away with. How would the de-control of butter and margarine, for example, affect a farm labourer with three children, and how would it affect an old pensioned couple? Why not trust shopkeepers and customers to share out the goods fairly amongst themselves and so do away with ration books and the staffs who maintain them? Why does house-building have priority over cinema-building? There are many such questions you can ask yourselves and have a lively time finding the answers.

Subsidies.

To make certain that some essential foods such as bread, sugar, and fats should be sufficiently cheap for every family to be able to buy them, the state pays part of the cost by a subsidy which comes from taxes paid by rich and poor. The shop price to customers is thus kept low. When taxes and trade are not enough to pay for food losses, temporary loans from richer countries have to be obtained.

FOR FURTHER STUDY AND DISCUSSION

1. Try to estimate the possible results of the following suppositions:
 - (a) If typewriters cost £1 each.
 - (b) If bread cost 3s. a loaf.
 - (c) If no foreign eggs were imported.
 - (d) If smoking were made illegal.
 - (e) If every household had a kitchen garden.
 - (f) If petrol were as cheap as water.
 - (g) If an oil-well gushed a mile from school.
 - (h) If gold were found in paying amounts near your home.
 - (i) If atomic energy for all could be available next year.
 - (j) If Britain's population dropped to twenty million.
2. How does bidding at an auction sale exemplify the interplay of supply and demand?
3. The silver in a silver coin is not worth the amount marked on it. The coin is a *token*. Explain.
4. Why does gold cost so much?
5. An official piece of paper called a pound note is readily accepted in payment for goods. The paper itself is almost valueless. (You will need to examine the ideas behind the term *credit*.) Discuss.
6. If it were not for the sale of by-products, gas would be much dearer. Why?
7. Keep a record of the price of tomatoes on the 1st and 15th of each month. Explain the changes that take place, and note when none at all are for sale.

8. Write a sentence about each of the following:
priority; building licences; coal allocation; sweet
ration; egg allocation.
9. You used to be charged a florin for a bottle of medicine
that consisted mostly of water. The net charge to the
chemist was therefore very low, yet the charge was a fair
one. Comment.
10. Why are second-hand novels usually cheap?
or
Why is hoarding wasteful to the hoarder and to the com-
munity?

CHAPTER V

WHY PAY TAXES?

The Budget.

You have seen the heading above and reminded yourself that this topic was discussed at home last April. Before the six o'clock news Mother probably said: "I wonder what they'll put a tax on, or what they'll take the tax off!" Father, no doubt, wondered whether he would have to pay more for his beer and tobacco; and your big brother, who had just bought a second-hand motor-bike, hoped the Government would not increase the price of petrol or licences. None of this, however, seemed important to you until the eleven o'clock lesson at school when Mr. Hall, the headmaster, started asking questions. You remember he began like this:

"Who heard the six o'clock news last night?"

Nearly every hand went up.

"What was the main item in the news?"

Every pupil knew—the Budget.

"What is the Budget?"

Several answers were given, many of them quite satisfactory, like these:

"The Budget is a statement about money made by the Chancellor of the Exchequer in the House of Commons every year."

"The Budget is the nation's balance sheet showing what was spent last year and what's to be spent next year."

"The Budget tells what is to be spent and how the nation will get the money."

"Quite sensible answers," said Mr. Hall encouragingly, "but we want to be more exact, and——"

"I know, sir," interrupted Mary Roberts. "Let's look it up in a dictionary."

"Good idea, Mary. Do it, and read it out to all of us."

Mary read: "'Budget. From French, *bougette*, diminutive of *bouge*, a wallet, Latin, *bulga*, a bag; a small leather bag or the contents of such a bag; a collection of news; an estimate of receipts and expenditure, especially the annual financial statement of the Chancellor of the Exchequer in the House of Commons.'"

"Yes. It's the last part of that statement from 'an estimate' that we are chiefly concerned with," the master exclaimed. "Now let us examine it in a little more detail. In recent budgets the Chancellor has made his statements in three parts. Can you tell me what they are?"

After some discussion the class arrived at the following answers to the question and the master wrote them on the blackboard.

- (a) A survey, a weighing-up of how the country is doing, and what the prospects are in the struggle for recovery after the war years.
- (b) What happened financially in the year just closed: a statement of revenue and expenditure of the year just past.
- (c) An estimate of the expenditure for the coming year and the revenue required to meet it; a statement of the Chancellor's proposals as to the taxes to be levied to raise the revenue.

The class made a note about the three parts of the Budget

speech and then one of the boys asked: "Supposing they overspent last year?"

"Well, the Budget hasn't balanced. There's been a deficit, and the Chancellor has to explain it, and to say how the difference is to be made good. If there's something over, a surplus, he explains where this is to be allocated. There's enough money owing—the National Debt—to use up any unexpected millions.

"Now, tell me," the master went on. "What does the Chancellor want such a lot of money for?"

The answers were many and showed that the previous lessons about the government of the country had been well understood and remembered. The answers were put on the board and then copied into the pupils' note-books. This is a copy of part of Mary Roberts' pages about the Budget.

What the Chancellor wants money for.

1. To pay for the expenses of the National Debt.
(Interest on money borrowed by the Government; payment of clerks and accountants who keep the books that record the particulars of the Debt.)
2. To pay for defence.
(Army, Navy, Air Force, and Civil Defence.)
3. To pay for education.
4. To pay for social services.
(National Assistance, National Health Service, pensions.)
5. To pay for help to trade, industries, and agriculture.
6. To pay for the collection of taxes.
(Salaries of tax-collectors, office premises, stationery.)

7. To pay for help to local government.
(Grants to councils for housing, police, education, roads, health services, and so on.)
8. To pay for running the Government.
(Payment of Cabinet Ministers, Members of Parliament, the Civil Service.)

Taxes, Direct and Indirect.

The next lesson continued the story of the Budget.

"Now that you know what is done with the money, how does the Chancellor get it?" asked Mr. Hall.

"From taxes," was the answer.

"Yes, mostly from taxes. What is a tax?"

"This is what the dictionary says," called out a boy. "'A tax is a compulsory contribution taken from persons, property-owners or business proprietors to meet government expenses.'"

"Yes. Make a note of that. Now let's make a list of some of the taxes we know. I'll give you five minutes to list as many as you can. Go!"

There was silence while some pupils began writing busily and others sat frowning and thinking hard.

"Time's up. Who's got more than a dozen?"

No one had.

"We'll hear what you have, anyway. What are yours, Joan Baker? Now yours, Ellis? And yours, Jim? Very good. We'll put them on the board, thus:

"Income tax; purchase tax; entertainment tax; death duties; duties on beer, spirits, tea, tobacco, petrol; licences; stamps on documents; import duties.

"Quite a good list!" said Mr. Hall. "Let's see now if we

can discover something more about them all—who pays them, how they are collected, and so on.”

The class now entered fully into the discussion and they found that taxes might be classified as *direct* or *indirect*.

“What’s the difference?” was the next question.

Several suggestions were made, many books, especially dictionaries were consulted, and finally they were satisfied with the following explanation which they wrote down in their note-books:

“*Direct taxes*: payments made to the Government by the very person who has to pay. Examples are income tax, a stamp on a receipt, death duties.”

“*Indirect taxes*: payments made with the purchase price of the article taxed. Examples are tobacco duty, purchase tax, and entertainments tax.”

“Now before we go on,” said the master, seeing that time was nearly up, “I want to make sure that we’re all clear about what has been said. Has anyone a question to ask?”

There was a long pause; then Tom Welsh, usually the quiet one of the class, put this problem: “I was listening to my father talking this over last night with two friends on the allotment. They were using the words *duties* and *customs* and other words that seemed to me to mean the same as tax. Is that the case?”

“Yes. A duty is only another name for a tax,” explained the master. “Goods on arrival here from abroad are examined by a customs officer and an import tax or a customs duty is probably payable. Excise taxes or duties have to be paid on certain goods such as beer, wines, and artificial silk made in this country. Now any other query?”

"Yes, sir. Doesn't the Chancellor of the Exchequer get money any other way than by taxes?"

"A very good question. Who'll try to answer it?"

Replies, all of them sensible and quite accurate, came from various members of the class.

"The Government borrows money."

"There are profits from the selling and letting of lands and buildings owned by the Government."

"Some of the profits from the Post Office are used by the Chancellor of the Exchequer."

"The Government gets profits from some of its investments or share-holdings, such as shares in the Suez Canal and from certain oil-wells."

With these answers the lesson then closed, but Robbins, a new arrival to the class, stayed behind to point out that he felt that indirect taxes were not really taxes at all because the class had decided that a tax was a compulsory payment, whereas in the case of indirect taxation, people could avoid the payment by deciding not to buy goods indirectly taxed.

Robbins' point was a very good one which showed serious thought, but if he had considered the matter even more closely he would have realized that indirect taxes must be paid on many articles that few people can avoid buying. Think this point out for yourself by looking at some shop displays. How many taxed articles can you do without for a whole year?

Here now are certain last thoughts about the Budget and taxation to which you should give your attention. No doubt, Mr. Hall got his class to notice them.

The Chancellor must get the money he requires, but he must be as fair as possible in his imposition of taxes. He has these unwritten laws to guide him:

- (a) He ought not to collect more money than he really needs.
(Exception—when goods are in short supply and he wants to encourage less spending and more saving.)
- (b) He must see that those who can afford to pay more than others, do so.
(Taxation where it hurts the payer least is ideal, e.g. football pools tax.)
- (c) He must impose taxation in such a way that collection is not expensive.
(P.A.Y.E., the system whereby the employer is responsible for making income-tax deductions from wages, is an example here.)

In spite of these rules no scheme of taxation has been devised which makes certain that absolute fairness is accorded to all taxpayers.

Generally, it can be said with truth that direct taxes are imposed in accordance with the various taxpayers' ability to pay, so that a married man with two children may have little to pay in income tax on a salary of £500 a year, while a person with £5000 a year has to pay a big fraction of his income. Indeed direct income-tax deductions are so graded that a very rich man may have to pay more than half his income each year.

It cannot truly be said, however, that indirect taxation is so fairly imposed. An artisan with indirect taxes to pay on clothes, tea, tobacco, beer, and other items pays a greater fraction of his income as taxes than his wealthy neighbour. Again, a bachelor with only himself to feed and clothe, pays less proportionately in indirect taxation than his married brother who is a family man with £8 a week, for though the latter may pay nothing

in direct income tax, the tax he has to pay is hidden in many of his purchases.

"Which tax is most disliked?"

If you put that question to a number of people, the man who likes a lot of beer or does much smoking will give an obvious answer. Another may grumble about death duties and be checked by an unsympathetic reply: "The man who has to pay death duties hasn't much to grumble about. He shouldn't be put out because he has to pay away some of what has been left to him, and for which he hasn't worked." There may be sense in this argument but at the same time it is natural that some sorrow should be felt when an estate, consisting of an ancestral home, farmlands, parks, and beauty spots—all part of Britain's heritage—has to be broken up and sold piecemeal in order to pay heavy death duties.

The fact is that no tax will please everybody. English people grumble about all taxes, but they pay up. In their heart of hearts they know this paying up is their duty. They know that the state by its services enables individuals in the community to make a living and to live as full a life, and consequently as happy a life, as circumstances permit, and that in order to be in a position to offer these services the state must find money; hence the need for taxation which is a compulsory deduction from the wealth of the tax-payer.

The Chancellor of the Exchequer would, of course, be delighted to hear of a tax which would give him a good return and which might be an addition to (or a substitute for) one displeasing to many people. Every year thousands of people send him suggestions for improving his Budget. Have you any ideas that might help?

FOR FURTHER STUDY AND DISCUSSION

1. Find out what you can about a municipal budget.
2. "I pay no income tax. I wish I had to." "I do wish I had to pay surtax." "I'm not working any more overtime because I've to pay so much income tax on what I earn." Which of these three would you favour if you were the person speaking?
3. What income is considered "unearned"? Why is the tax on it at a higher rate than on "earned" income?
4. "The wealth collected in the form of taxes is distributed through Government expenditure." Find out what you can about the truth or otherwise of this statement.
5. Lever, Ford, Nuffield, Carnegie, Rockefeller, Vanderbilt, and Ellerman and other self-made millionaires found work for millions. How did these famous men benefit mankind? Did they do any harm?
6. Why reduce taxation payable by the father of a large family?
7. "Take taxes off necessities like clothes and some food, and increase it on luxuries like tobacco, intoxicants, gambling, and entertainment." What do you think?
8. Write short notes on (a) import duties, (b) excise, (c) subsidies to farmers, (d) petrol tax, (e) untaxed home-grown tobacco.
9. What would be the result if the Government suspended interest payment on loans for a year?
10. Should cats and pedal cycles be taxed?

or

Why do many people refrain from using their cars from October to April?

CHAPTER VI

COMPANY LIMITED

Messrs. Ledman, Clay, & Wood, Ltd.

Messrs. Ledman, Clay, & Wood (see Chapter III) went into business as builders. They started with a certain amount of money, and before long that was expended on scaffold poles, ladders, barrows, shovels, office equipment, and the many other items of wealth which were to produce further wealth for the three partners. Their money became their initial capital. It was spent on equipment which became money's worth, capital in another form.

They prospered. Every job they undertook soon led to more contracts, and the time came when they thought they might risk launching out on a bigger scale. They knew that more schools were planned for the neighbourhood and they saw possible profits in building Council houses and other property.

"We want to do all our own electrical work," said Ledman. "We'll have a special department for that. And why should we get other firms to make roads for us when we ought to do the work ourselves?"

"It'll mean we'll have to get more equipment, and more land for a bigger yard," added Wood. "And we must have more ready money by us to keep the business going from day to day."

These were some of the suggestions made in the course of

their conferences. Finally they arrived at the decision that they would need at least £15,000 for expansion. They calculated, in view of their recent progress, that they would probably make satisfactory profits. It meant risks, but not blind ones. They were prepared to make the venture with quite an amount of confidence.

Mr. Clay, the bricklayer, was the most cautious of the three men. "Let the whole idea simmer in our minds," he insisted. "Meanwhile we'll all make discreet inquiries."

"What about?" asked Ledman.

"Well—where to pick up some building tackle to be sold by the War Office; when tenders for the schools and clinics are wanted; how to get the extra capital required."

A fortnight later, the three went into conference again. Each had been pursuing investigations, and they were now determined to go ahead and tackle the problems involved.

"This is what I recommend," said Ledman. "We want, I estimate, £15,000. I've seen Timson, the bank manager. He can, and will, do nothing, except give his advice."

"What does he advise?" was the carpenter's question.

"Why won't the bank lend the money?" the bricklayer asked.

"I'll answer both of you—in turn. He advises us to form a limited company. The bank won't lend the funds because Timson says the risks of losing the bank's money is greater than banks are accustomed to take. They want security in case we can't pay principal and interest. Our word and signatures aren't enough."

"So that's that!" said Mr. Wood. "Don't we need a lawyer to help us?"

"Yes. Timson recommended me to see Mr. Wiggon, of

Wiggon and Wiggon, the solicitors, at 97 Market Lane." Ledman seemed ready with all the answers.

So the three men formed a public limited company. People who lent them money became shareholders, holding Ordinary shares. The most any shareholder was likely to lose was limited to £1 for each share he bought. Mr. Wiggon made sure that all arrangements were strictly according to law.

The three craftsmen blossomed out as company directors, each with £2000 in shares in the new building firm—"The Reliance Building Co., Ltd." Mr. Brush, the painter, accepted a position as travelling supervisor of work in hand. The plumber was made chairman and managing director because of his ability to make a good job of many duties—ordering goods, interviewing, and, of course, plumbing, though it was realized that he would be too busy with his administrative duties to handle many tools. The carpenter was elected vice-chairman, and the bricklayer became secretary, though most of the actual clerical work was done by a typist, an office boy, and a chief clerk who had previous experience in a builder's office.

All additional capital required was subscribed by the public in £1 Ordinary shares, and an examination of the register of shareholders revealed that the company was a local one with local proprietors, and doing local work.

If you, therefore, ever have an idea likely to be profitable, and if you can get people to have faith in your idea, you, too, might one day consider the formation of a private or public limited company. The former gets its capital from a few people, often related to one another, or friends; in the case of the latter the public are invited by advertisement to become shareholders in a public limited company. Examples of the second are the Decca Record Company, Limited, and Butlin's Holiday Camp.

You never know; some day you might invent some gadget or machine, which if developed and put on the market, might make you a fortune.

First Year's Report.

A year later a meeting of the shareholders of the Reliance Building Co., Ltd., was held—thirty present out of many hundreds on the roll. A number of days previously they had been given possession of the audited balance-sheet and they were now waiting for the chairman's remarks. The gist of his speech, without full details, was as follows:

"We've made quite satisfactory profits during our first year, but we're not recommending any dividends, that is, payments to shareholders. We're going to be cautious and put back all our surplus into the business to make us financially safer and stronger. That will give us full advantage in buying materials so that we can give maximum value to our clients. We've built houses to let and houses to sell, and we've evidence from repeat orders that we've given satisfaction.

"We may be speculative builders—every business must be speculative because it's got to make calculations concerning such factors as prices, the weather, and possible accidents—but we're not jerry-builders. As practical builders the managers of your company know that shoddy work is neither honest, nor in the long run, profitable. We aim to make this business a happy business—for our clients, our workers, and our shareholders."

Questions from those present were satisfactorily answered, and various proposals and recommendations were endorsed by the meeting. Votes of thanks marked the end of the gathering.

At subsequent annual assemblies of shareholders there were ample proofs of the rightness of the recommendations passed at

the first meeting, for later a consistent $7\frac{1}{2}\%$ began to be paid as dividend on the £1 Ordinary shares. The directors' fees, too, were increased by $7\frac{1}{2}\%$, not by a proposal made by themselves, but on a suggestion from the general body of shareholders, in recognition of the sound management by the trio at the head of the company.

Preference Shares.

After ten years the business was flourishing enough to be handling three housing estates at the same time, and the shareholders were invited to subscribe more capital—£15,000 in Preference shares. Mr. Wiggon, who had been added to the board of directors—he was a fairly large holder of Ordinary shares—explained the new shares to the annual meeting in these terms:

“Ladies and gentlemen, at the directors' request I am to tell you how our capital is to be increased to enable us to carry out certain ventures which we believe will prove very satisfactory. Up to now we've worked with the capital you've subscribed in Ordinary shares, and your full possible loss was limited to £1 paid for each share. You took a risk in paying your pounds for shares; you might have lost all. If the houses built had failed to find buyers, or if our contracts had cost us much more than we estimated, you would have lost money; for a continued failure would have compelled us to go out of business—to go into liquidation, as we say. But, thanks to prudent management and foresight and the loyalty of our staff, we've been rewarded for our venturing, for our taking reasonable risks.

“In expanding we intend to dilute the risks. Additional capital will be in the form of 4% preference shares. That means, if profits are earned—and they may not continue as heretofore

for we never know what may happen in these days of ups and downs in prosperity, in these days of possible world disputes—Preference shareholders are almost certain of their 4%. They get their interest as a priority if there's any profit to permit it.

“The Ordinary shareholders are still to be better off than the Preference shareholders, but only when times are good, because they get more interest, only if the Preference people have been paid.

“So, ladies and gentlemen, if you own both kinds of shares, you'll have a sure low interest as Preference shareholders, and a possible—we hope a probable—high interest as Ordinary shareholders. I advise you to have equal amounts of each of the two kinds.”

Cumulative Preference Shares.

“One thing we shall never do. We'll never issue Cumulative Preference shares which may be a deadweight during a long period of trade depression—or after one. I'll give you an example of how they work. If we issued 3% Cumulative Preference shares and we kept on losing money, the moment we resumed prosperity these cumulative holders would be entitled to all arrears. Thus the Preference and Ordinary shareholders might get nothing for years.

“Let me conclude by saying two things. Firstly, I've explained these shares in fairly simple terms because some of you folk working for the company may have forgotten how these things were explained to you in your school days. Secondly, I hope you will empower the directors to issue these Preference shares, and I hope you will purchase them. We'll be glad to answer any questions.”

Debentures.

The years went on. The business had its ups and downs, but, on the whole, it prospered. Then came a day when the management was tempted to launch out into a type of work very different from its ordinary venture of constructing houses, schools, and halls.

A water and sewage scheme for a neighbouring town was proposed. It was a big job, and tenders were soon invited. Accordingly, a special general meeting of shareholders was called, and the case was put like this:

"Ladies and gentlemen, we are considering borrowing money to expand our activities in a nearby area. We have heard of a proposal for putting a water supply and a sewage disposal scheme in the next village, now grown big enough to be called a town. We, a local company, would like to make the installations. This isn't the sort of thing we've done before, and it may be the last time we try it. If we got it, we'd have to have a huge amount of capital for a short time, some of which would be useful in our normal business later.

"Now we hope to get it by issuing Debentures; that is, we intend to borrow £70,000 at 4% interest, this interest to be payable before any other shareholder gets a penny. These Debentures will not be shares: they'll be debts, pure and simple, and when we've finished the installation we'll pay them off.

"Note this, please. If we 'go broke' the Debenture-holders are entitled to be paid first out of the proceeds of selling our business."

The shareholders voted the directors the right to borrow the £70,000, the contract was obtained, and water and sewage disposal plants were put in operation, a two-year job. Later

the decision was taken that the Debentures had to be wiped out, paid off, and, in future, the main business of The Reliance Building Company Limited was confined to the building of houses, schools, canteens, and similar structures.

In the foregoing account, based on real experience, you have seen how a small group of men, from humble beginnings, developed a building undertaking to satisfy the wants of Councils and private individuals. The three founders of the company organized labour, land, and capital, and their reward as organizers figured in the balance-sheet (and in their bank accounts) as profit.

They worked side by side with their craftsmen and mates. For this labour, they, as workmen, had wages and salaries in addition to profits. The workmen were rewarded for their services by wages. The landowners, landlords, had rent in return for land; and the capitalists, or shareholders, or money-lenders, had interest or dividends in return for lending capital. The extra pay to the directors may be considered as reward for special abilities.

It is by similar arrangements, that is, with the aid of the Limited Company, that much wealth has been produced and much progress accomplished. Other limited companies have developed from small beginnings and prospered in much the same way as was done by our three imaginary adventurers—F. W. Woolworth, Marks and Spencer, Lipton, Burton, and Sainsbury, to mention only a few.

FOR FURTHER STUDY AND DISCUSSION

1. Why are 5s. Woolworth shares worth over £2 each?
2. Make inquiries to find out the difference between a public limited company and a private limited company.
3. When do aviation and armament shares increase or decrease in value? Why?
4. Some companies encourage their employees to become shareholders. What are the advantages and disadvantages (a) to the companies, (b) to the men employed?
5. Why do many small building contractors fail?
6. "If you invest in some gold or diamond companies you may lose all or make a fortune." Make inquiries to amplify this statement.
7. What is the difference between an "investment" in a football pool and an investment in National Savings?
8. Explain these terms briefly: -
 - (a) gilt-edged shares;
 - (b) speculative shares;
 - (c) stock exchange;
 - (d) industrial shares;
 - (e) nationalized industries.
9. Shareholders are taxed more heavily on dividends than on the money they earn. Is this fair?
10. Insurance and bank shares are usually worth many times their original issue price. Why?

kinds of shops, the providers of transport, want you to know of the goods and services they have to offer. Many of them take pains and spend much money to make you aware of their productions. In many cases they use a knowledge of psychology to produce persuasive advertisements that will win over possible buyers.

Some advertisers even go so far as to make exaggerated and even false claims for inferior goods in the hope of drawing the attention of the public. Such advertisements sometimes do have initial success but eventually lose their hold on people. If you, for example, buy a much advertised article and it turns out to be different from what it was represented to be, you will not buy it again; furthermore, you will be tempted to tell your friends of your disappointment. You and they will then be influences to retard sales; for a dissatisfied customer will either refrain from buying or will make purchases elsewhere. To have successful sales, therefore, an advertised article must be all that is claimed for it. "You can't fool the public twice," is a saying with much truth in it.

Not everyone advertises his goods and services, of course, either sincerely or falsely. Doctors, dentists, and certain other professional groups are not allowed to advertise their services; it is against their professional code or etiquette. How, then, do they achieve their object of earning a living? And compare their methods for achieving a better living with those of a professional singer or an actress who has been given favourable notices by the critics.

Methods of Advertising.

Advertising is now a specialized profession, and it is a frequent practice to engage such specialists to launch a publicity campaign

for more sales. Thus the railway authorities, the B.B.C., the Post Office, some professional bodies and many towns, especially seaside resorts, employ Publicity Officers whose chief duty is to advise on advertising so that new travellers, listeners, customers, clients, visitors, and residents are attracted in increasing numbers.

Now notice the methods employed by the great advertisers. An apt slogan they seem to obey is "Tell the public, and tell them often". In other words, repetition has been found effective, and so some proprietary articles have been advertised daily for more than a generation.

More and more ingenious schemes have, however, been devised for "catching the public eye", and the "eye" includes its mind and its purse. The telling phrase and the arresting picture on hoardings are among the normal means employed by advertisers as an aid to selling, or to spreading an idea. As you go past the bill-boards, you are invited to eat more fish, more potatoes, more tripe and onions, or more bread; you are asked not to buy a white elephant but to save; or you are told what to use to kill germs and what to drink to make you sleep; you are urged to do one thing and not to do the other, and exhorted to mind how you go on the roads. Indeed, confronted as one is on every hand by coloured posters, illustrated and huge, it is little wonder that someone has said that the hoardings are the art galleries of the "man in the street".

Illuminated signs, blinking or stationary, postal circulars, canvassers from door to door, the use of foreign radio transmitters, the exchange of prizes for coupons, competitions, and annual exhibitions at Olympia and elsewhere—these are amongst the usual methods of getting into contact with possible buyers.

Perhaps the mightiest advertising medium, however, is the

press. In a recent issue of a national newspaper, for example, the following goods and services were offered:

Patent medicines; packeted foods; rat killers; insurance; tools; sheds and tents; beer, spirits, and tobacco; soaps; plants and seeds; clothing; furniture; paint; radio sets; electrical apparatus; entertainments; clocks and watches; houses; auctions; pleasure trips; the Defence Services.

These items could be listed in various ways. They might be classified into goods and services, or into luxuries and necessities. Again they could be listed under headings of food, clothing, shelter, and luxuries. The classification, however, matters little; the important point is that in almost every case they are an invitation to you and other readers, through the press, to pay a price for what is offered. Indeed, it is true to say that few newspapers and periodicals would continue to prosper, or even exist, without the income they obtain from advertisers. On the other hand, the advertisements create added opportunities for employment—directly for commercial artists, copy-writers, printers, and office workers, and indirectly for reporters and other journalists and many others in and connected with newspaper production.

Advertising and the Public Interest.

But is it not possible that much of this advertising, this telling the public, is wasteful? Does not the cost of this advertising add to the cost of the goods to the consumer? Yes, it must do, for advertising is seldom free. Obviously if you buy something you have read about in a newspaper, the public announcement is paid for by you; it is, in fact, a part of the expense of production. On the other hand it must not be forgotten that advertising raises the number of sales, it can thus bring down the price for the benefit of the consumer. This truth we see in the sayings,

"Big sales, little profits", or "Small profits, quick returns", which means that if articles are sold cheaply at little profit individually, they can nevertheless make a large aggregate profit if the sales are large. This is sometimes the reason for the reduction in price of branded and proprietary goods. Can you suggest other possible causes for reduced prices sometimes announced? Think what happens when monopoly goods or services are sold.

You must realize, of course, that quality and service must go with goods regularly advertised, and, in fact, that these two virtues may themselves be subtle advertising that costs nothing. Woolworth, Marks and Spencer, Boots, and many other firms with names that are household words do not need to go out into the highways and byways to cry their wares. Their methods of display, the pricing and quality of their goods, the placing of their shops, their reputation, public knowledge of fair treatment for their workers—all these factors are part of their effective salesmanship, part of their efforts in production.

Whether advertising can, in certain circumstances, be against the public interest is a matter for you to investigate or discuss. Try out this inquiry with each of the displayed advertisements in this morning's paper, noting also the many newspaper announcements (some from government departments) that aim to give advice for the readers' general good. Do not, however, come to a conclusion until after full discussion.

FOR FURTHER STUDY AND DISCUSSION

1. Why are there Acts of Parliament to prevent unsightly advertisements on hoardings?
2. If you were appointed censor of advertising which would you have suppressed or modified? Give reasons.

3. How do the Radio, Motor, and Ideal Home Exhibitions encourage increased employment and the introduction of inventions?
4. The Labour Exchanges are part of the state's advertising schemes. Explain.
5. "Sweet are the uses of advertising." Apply this misquotation to advertising as done by:
 - (a) an Education Committee concerning Adult Education facilities.
 - (b) a cinema proprietor who has no competition within five miles.
 - (c) a First Division football team.
 - (d) the British Broadcasting Corporation.
 - (e) the Post Office Telephone Department.
6. "Advertising is partly public education and partly salesmanship." Examine this assertion.
7. Make a list of advertising methods, omitting the press and hoardings.
8. Some municipalities, including most seaside resorts, have an information or publicity staff whose work does not result in a direct profit. Give examples and explain.
9. The Post Office, though a state monopoly, has a Public Relations Officer. Similarly the B.B.C. Why have these concerns found such an appointment justified by results?
10. Write notes on (a) art and advertising, (b) advertising as a career, (c) advertising by films or radio, (d) health propaganda, (e) advertising the Defence Forces.

2nd Youth: I'm a clerk with B. and Co. Ltd. who do carrying and furniture removals. They're also agents for the railways and hotels, and they organize holiday tours as well.

3rd Youth: My job is an apprentice sewing-machine mechanic at a clothing factory.

4th Youth: I'm with my father, a jobbing builder.

5th Youth: I'm studying to be a solicitor. I'm articled to X, Y, and Z, the solicitors, next to the Town Hall.

6th Youth: My company makes machines for cabinet-makers and joiners. I'm apprenticed to turning, fitting, and lathe-work—branches of engineering.

7th Youth: Most of my time is spent as a packer and despatch clerk with a large grocery firm. I sometimes help with typing and correspondence; and I'm to take a turn at the counter so that I'll get to know various sides of the business.

8th Youth: The company I work for makes raincoats and sells them wholesale to shopkeepers and also retail through branch shops they own. I'm in the export department because I know two foreign languages through having Swiss grandparents who brought me up.

✓
So it went on. The secretary was very interested, and during the talk was able to make some of the lads feel how varied—and specialized—were their occupations. Each was doing work in one special line different from the other but they were all helping towards the final production and distribution of goods.

"All our employers serve the community, and for doing it well they make profits," one young fellow remarked.

"Naturally," the secretary agreed. "And if they see a chance of giving more service and making more profit, they'll——"

"It all means more work for us," was the interruption of the boy whose firm exported garments. "And," he added, "those who increase exports do greatest service to the country."

"Quite true," answered the secretary, "and we'll see why the next time we meet."

Here the group broke up, but one evening, some weeks later, the club reopened the discussion again and found out much of what is contained in the following section.

Import and Export.

If goods travel from their position in one country to a place out of the country, they are said to be exported; the country which receives them, on the other hand, is said to be importing the goods. Our own Government regularly issues figures which state the value of goods imported, exported, and re-exported. During a certain month, for example, goods to the value of nearly £400 million were imported at British ports, and they included these items:

- (a) Food, drink, and tobacco.
- (b) Raw materials and articles mainly unmanufactured.
- (c) Manufactured articles.
- (d) Animals, not for sale.
- (e) Goods by parcel post.

During the same month the value of exported goods, classified in the same way, came to about £300 million.

These are huge amounts, and figures with all those noughts are not very interesting. But behind all those millions of pounds are thousands of firms, employing millions of workers, each doing his (or her) bit, each making a living, each earning what he (or she) needs for food, clothing, shelter, and luxuries.

All this carrying of goods *in* (importing) and sending of goods *out* (exporting) is a complicated business involving a huge number of services. Transport by land, sea, and air; clerical, insurance, and financial operations—all of these activities have a part to play in making it possible to move goods from where they are made or produced, and offered for sale where they are wanted and can be bought and used.

What are the forces that help to move goods from one country to another, say from foreign countries to our own?

1. Profits are sought by producers; the wants of consumers need to be satisfied.

2. Many of the good things in life are consumed in this country, but are not grown or found here. Coffee, tea, bananas, and raw cotton are examples. Other good things, such as mutton, raw wool, and iron ore are obtainable here, but not in sufficient quantities to satisfy those who require them.

3. In some places more goods are produced than can be used locally, and the surplus is transported to places where it can be bought and consumed. Merchandise is thus exported to those countries which need the goods and can pay the price asked.

Note that to-day importing and exporting are done both by individual merchants and by the nation as a whole represented by government departments, the main purchases of the latter being food and raw materials. Thus we see the Ministry of Food buying, for example, millions of tins of Portuguese sardines, for bulk buying on a huge scale has become a regular part of state business. In addition, however, the government tries its utmost to increase exports through individual merchants and firms, and anyone who can find something to sell in huge

quantities in the U.S.A. dollar market will receive official encouragement and help to enable him to carry through the transaction.

Obstacles to International Trade.

People in this country may grumble with justice about many things, but they are far better off economically, and always have been, than, say, negro labourers in the cotton-fields, or Indian or Chinese peasants. Whether the people here are any happier than these foreign workers is a difficult question, because it is hard to compare the happiness of one group with that of another. This much, however, can be said. If all the peasants in the world, in India, China, and so on—that is, more than half the people alive—were able to buy more goods, both essentials and luxuries, than they do to-day, all manufacturing countries, including Britain, would benefit economically.

Unfortunately there exist many obstacles to international trade and these may be listed as follows:

1. Many of the producers of primary or basic commodities, such as cotton, oil, and rubber, live in countries which have had for centuries a very low standard of life. This is due partly to tradition, partly to climatic and other factors. It has resulted in a low demand for the manufactured goods of other countries.

2. A tax put on goods coming into a country makes them dearer and so many workers in the importing country cannot afford to buy them. Of course, the tax may be imposed for the sound reason of giving protection to home industries and so preventing unemployment. Thus countries which used to import British goods now make them themselves—India, for example, and Japan before and since the war.

3. Distrust among nations causes materials to be used for preparation for possible war. This means that labour and capital are applied to making weapons of destruction instead of goods to make lives more comfortable.

4. If British firms sold a great deal more than they do to U.S.A., there would be a good supply of dollars to buy food and raw materials from anywhere in the world. America, however, while needing some British goods and buying them, does not buy enough from Britain to provide all the dollars that are required here.

5. Nations who used to buy British goods are, in the post-war years, too poor to buy. Thus the Italians, who used to be excellent customers for the products of British industries, cannot now afford to buy these.

6. Political differences have at times prevented a full exchange of goods between nation and nation. Spain and Russia spring to mind here.

International Payments.

How is payment arranged between Britain and its customers, or rather, between British export firms and the corresponding foreign (or commonwealth or colonial) import firms? How do foreigners and British traders abroad get paid for the coffee, tea, bananas, timber, wheat, meat, butter, raw cotton, and wool which they send to merchants in this country?

The answer, put briefly, is that "goods pay for goods", or imports pay for exports. Exchange between the goods of one country takes place in a manner somewhat similar to a boy's swapping of a penknife for some foreign stamps, or some marbles for a toy aeroplane. Each wants the other's goods;

each gets an advantage from the exchange; each disposes of his surplus for something he feels he wants.

To give you a full explanation of how payments are made so that imports balance exports would require more pages than this book contains, and some of it would lose its interest because of its difficulty. Yet certain aspects of what is known as Foreign Exchange can easily be followed by intelligent boys and girls.

When Mr. Tarragona, the Spanish wine merchant in Almeria, sells a thousand gallons of his fermented grape-juice to Mr. Vinus of London, a price has been arranged before delivery. Tarragona has named it in pesetas, and the price has been translated by Vinus into pounds. Now Tarragona cannot pay his labourers, his taxes, and the cost of fertilisers in English pounds, so Vinus does not pay him in pounds. Instead, being a trustworthy businessman and known to Spanish winesellers, he pays by means of a Bill of Exchange, so worded and legally recognized that the debt is paid, say, three months after the wine is in his cellars. The document looks something like this:

Almeria, Spain.

Date.

Ninety days after date pay me £1000 for value received.

Alfonso Tarragona.

*To John Vinus,
Wine Cellars,
London.*

John Vinus "accepts" the bill by signing and returning it to

Alfonso Tarragona, who thus knows that the debt owing to him will in due course be paid. In the meantime, however, Alfonso finds he has to pay out certain moneys. He wants some clothes for his wife and daughter, and has to pay bills to the cooper, the landlord, the tax-collector; also to the builder for some repairs to his labourers' cottages. He must pay in pesetas, not English pounds, so he goes along to his bank manager and says: "I want pesetas, please, for this English bill."

Mr. Mola, the bank manager, an old school chum of Tarragona's, says he will give the matter his immediate attention and asks Alfonso to call the next morning. In the interval he telephones to a dealer in such bills, known as a bill-broker, and finds that this bill signed by Vinus, of London, is quite sound. Between them they then arrange that the bill-broker will take over the bill and pay the bank for it in pesetas. The bill-broker does not, however, pay the bank the full £1000, but only about £985, for he knows he has to wait nearly ninety days before he can recover the amount stated on it. The bank then, in turn, makes a small charge to Mr. Tarragona for its work in the transaction and Mr. Tarragona now gets the remaining pesetas added to his bank account.

A few days later the bill-broker is visited by Mr. Toga, a cloth merchant of Malaga, who has bought and wants to pay for £1000 worth of drapery or shirts he has received from a London house. This Spanish wholesaler has, of course, only pesetas, so he now arranges with the bill-broker, not to pay his drapery bill in London in pounds, but instead to pay the Vinus wine bill here in Spain in pesetas. He therefore buys the Vinus bill from the bill-broker for, say, £990. The bill is then sent on to London where similar arrangements are made for Vinus to pay the drapery bill. Thus in due course, Toga's debt to an

English firm and Vinus's debt to a Spanish wine-seller are both extinguished. At least four principals have taken part in this international transaction in which wine pays for shirts. Tarragona, the grape-grower in Spain, Vinus, the wine-merchant in London, Toga, the Malaga shirt-salesman, and the anonymous drapery-wholesaler in London, have achieved international money payments and international exchange of goods.

Transactions of this kind, but not always as simple, are being completed annually all over the world to the value of many millions of pounds, and by various methods they are made to cancel out one against another. Sometimes, however, payments do not balance; bills have not paid for bills, and goods have not paid for goods. When that happens, payments representing differences are made by shipments of gold from the debtor country to the creditor country, or a loan may be arranged.

Lend Lease and Marshall Aid.

During the war Britain spent much of her wealth and savings, and, just at the moment when the country began to experience the symptoms of strain and exhaustion, America came to the rescue. Her act of generosity was to provide these islands with huge stocks of food, raw materials and other war equipment, and either to reduce or finally wipe out the charges for these goods. This "most unsordid" act, to quote Mr. Churchill, is referred to as Lend Lease.

After the war American statesmen saw that Britain and other European countries might, unaided, take decades to recover from their impoverished condition. Realizing, therefore, that nations so stricken need help, the United States continued to send goods from their immense resources on the Lend Lease basis. Britain, France, and other countries thus received grants for a few years

in order to shorten the period of European recovery after the war and hasten the beginning of normal times. The first American who publicly advocated this scheme of aid was General Marshall—hence the phrase Marshall Aid.

Invisible Exports.

When the value of goods brought into this country is greater than the value of exports—a usual state of affairs—then goods have not paid for goods and the difference may be made up by sending gold or by loan.

Usually, however, earnings come into the account as a result of work and services done by British ships, banks, and money-lending and insurance companies throughout the world. Also tourists bring in much money to spend here. The earnings by these agencies are "invisible exports" which help to pay for goods brought in, and they help exports and imports to balance.

All this wants careful thinking about, for it is a complex subject and one that can only be touched upon here. After this elementary introduction, however, you should be better able to follow it in the newspaper and to re-examine it again after you leave school. You are sure to hear about it again because exports are the country's life blood—"We export or we die."

FOR FURTHER STUDY AND DISCUSSION

1. If imports to Britain stopped for three months, what would happen?
2. How does it pay this country to lend money (or export capital) for the development of Argentina or Mexico or Malaya? What are the risks?

3. "We must export or die." Why is this true of this country and Spain or France? Would it apply to the U.S.A.?
4. Why did we recently hold a British Exhibition in Copenhagen? Did the Festival of Britain encourage exports?
5. Why were British tourists abroad refused permission to take more than a limited amount of currency out of this country?
6. Make a list of foreign moneys and compare their exchange with the £. Why do values change?
7. If you wanted to send £500 abroad you would have to have permission. Find out more about this control.
8. We import food and raw materials; we export coal, machines, and manufactured goods. Amplify these statements by listing twenty articles imported and the same number exported. Why are some goods re-exported?
9. Some people recommend that the import of luxuries should be restricted. What are the difficulties of putting this recommendation into operation?
10. If we always obeyed the injunction, "Buy British", we should hurt ourselves and nations abroad. Why?

CHAPTER IX

MANY KINDS OF SHOPS

On previous pages you examined the themes of production, and it was agreed that the main reason why people work is to produce goods and services which can be exchanged for goods and services. The medium of exchange is money and the whole of most people's working lives is passed in "getting and spending" this useful commodity. You noted, too, that for the great majority, there is no fun like work. Indeed, a famous playwright once said, with a great deal of truth, that the greatest possible punishment that could be given to any sane human being would be a perpetual holiday.

Some of the money that is earned ought, if possible, to be saved for future spending, or for an emergency, but most of it is spent in shops. All the shops in your district may be classified in various ways according to the goods they sell, or according to the way they are managed. A specialized shop, for example, sells one line of goods only, e.g. Freeman, Hardy, and Wills for footwear, and Samuel for jewellery. A general shop, on the other hand, deals in various kinds of goods, and so we have the village general store or the large grocery firm with a branch in the market square of every town.

Some may say that most shops are examples of private enterprise and a co-operative store is not. That is a topic you ought to be able to say something about after you have re-read this chapter.

One Man Business.

The most numerous retail shops are one-man businesses in which the owner invests his capital, his time, his ability, and his energies. He is capitalist, labourer, manager, sometimes even property- or land-owner, all in one. The little corner shop in a side-street of your town or the general supply store of your village is an example of single-shop ownership, and many a well-established company to-day can look back to its beginnings as a one-man business.

Multiple Shops.

Companies such as Sainsbury (grocers) or Dewhurst (butchers) and many others you can easily recall, own shops all over the country. They are, in other words, multiple shops.

Each branch is in charge of a manager who is in frequent touch (by telephone, letter, and by daily and weekly returns of sales and expenses) with the head office. Usually, it is from here that almost all the stock is ordered and supplied so that advantage can be taken of bulk purchases. Occasionally the firm's inspectors call unexpectedly to see that local managers are doing all they can for the benefit of customers and the company.

Firms such as Bata (shoes) and Burton (clothing) own factories and sell their own-made goods through their own retail branches. Are there further examples of the same kind in your district?

Department Stores.

You can go into Lewis's, Manchester, or Plummer's, Bournemouth, and pass hours in the various departments all under one roof or in adjacent buildings. Indeed it would be possible, if you had the money, to satisfy almost all your wants in such a shop.

Each section is in control of a manager (sometimes in co-operation with a buyer), under a general manager who is in

frequent contact with head office and a central warehouse, usually in London. The principal officers of the company meet here. These may include a managing director, other directors, a secretary, buyers, a clerical staff, and a despatch department. In London, too, some department stores have a mail order section.

Multiple Department Stores.

Marks and Spencer, Woolworth, Bobby, and others have a chain of shops, which are department stores with branches throughout the country.

Many retailers, apparently competing with one another, are owned by a company or associated companies, or by a combine. They may sell similar goods as competitors, but they trade under names by which they have been known for many years. An example is the John Lewis Partnership which owns drapery stores in many southern counties.

Co-operative Stores.

A teacher put this question to a class of forty pupils in a Lancashire cotton town: "Whose parents buy goods from the co-operative shops." Thirty-six put up their hands. The same question, put to a class in a small village, ten miles from the nearest town, resulted in twelve hands out of forty. At a select resort on the south coast the parents of twenty out of thirty-eight were buyers at the co-operative store.

What is the percentage in the class where this book is being used? What would it be in a residential public school? Account for the differences.

Almost 50 per cent of the adult population of the United Kingdom is enrolled as members of the co-operative movement. That means that several million people make at least some

purchases from these shops, all part of the organization which began at Rochdale, Lancashire, in 1844 and which has shown a steady annual increase in size for over a century.

The word "co-operation" means working together. When the Rochdale Pioneers began, they did so with £28 collected by twenty-eight original members who paid as little as 2*d.* a week but later increased it to 3*d.* A shop with a meagre display of oatmeal, flour, butter, and other articles was opened in Toad Lane, and from this humble beginning has grown the modern business concern which possesses funds and other capital worth many millions, and which manufactures, buys, and sells goods in most civilized countries.

Nowadays the public is fully aware of co-operative methods of selling goods, and when you examine them more closely you will observe that in most respects they are almost similar to other schemes of selling and production. The main difference is in the allocation of profits, for the owners of the grocery and provision shops trading under the name of J. Sainsbury Ltd. or Home and Colonial and the like are the shareholders who share any profits, whereas the owners of a co-operative store are the buying members, and they share in the profits (dividends) in proportion to their purchases.

If you wish to become a member, you will be allowed to do so, as a rule, when you have attained the age of sixteen. To become a full member with voting powers you must have at least one £1 share, and this may be paid for by instalments. You are given a number and every purchase you make is accounted, because your cash payments—credit is rarely allowed except in expenditure on costly things like furniture—are recorded by receipts, a copy of which you keep. At regular intervals, quarterly or half-yearly, calculations of your total

purchases, as of the purchases of all members, are made. Deductions are then made for depreciation, interest on your capital (your shares, which must not exceed £200), the cost of goods, wages, transport, and other expenses. What is left is profit, and this is distributed to members in proportion to their purchases during the last period.

If, then, a shilling profit is made on every pound received, and if you spent £20 on goods, your part of the profit, called dividend, is £1. If your father, more probably your mother, spent £40, dividend would be £2.

The dividend paid out to co-operative members is considered as deferred discount gathered together for lump sum repayment and pays no duty. Interest on shares is taxable.

The management of a co-operative society is in the hands of members who elect a committee from themselves. These elected managers are part-time officials who may lose their positions at subsequent elections. They are paid a small salary and all out-of-pocket expenses, and are assisted by a full-time staff, both at headquarters and in the branch shops.

Every co-operative member is entitled to receive for examination a detailed copy of his society's accounts. At the periodic meeting held to endorse the actions of committee members, explanations concerning any item in the accounts and accompanying report will be given.

The co-operative societies in England and Wales buy as much as possible from the Co-operative Wholesale Society, known simply as C.W.S.; in Scotland they buy from the S.C.W.S. These are wholesalers owning tea-plantations in Ceylon, and farms and factories in this country. If you analyse the sixpence paid for a tablet of C.W.S. soap, $2\frac{1}{4}d.$ may be the cost of materials, $2\frac{1}{4}d.$ may be wages, $1d.$ may be rent, and $\frac{1}{2}d.$ dividend or profit.

The retail societies are profit-sharing members on the same principle as they extend to their own members. A member, keen on the subject, may help to manage his own society, and may also help to manage the C.W.S. by becoming a director. Election by democratic methods is the scheme of management throughout except, generally, that no full-time employee may be chosen to serve on a management committee.

It is well to know that competitors view the co-operative movement with distaste. Here, there is an excellent opportunity to make full inquiries so as to arm yourself with facts. Try to see the subject from the viewpoint of shop-assistants in co-operative and in other shops, of multiple store proprietors, of the corner shopkeeper, and of people who are just ordinary customers. Find out, too, if you can, why the success or popularity of this method of trading varies in different parts of the country. Consult your parents and the public librarian to increase your information and to weigh up opposing opinions and convictions.

Consumer Goods.

The goods sold by all the shops mentioned in this chapter are consumption or consumer goods, such as food, which is soon sold and eaten, and clothing, which does not last a long time. Firms doing business in these commodities can make good estimates as to probable demand, and so they can avoid waste.

The stocks, while on the counters, are capital and they have to be replaced frequently. The result is that shops doing a good business actually replace their capital several times a year. They seem to have a multiplied capital which gives them corresponding profits. You would like shares in such companies. One company's 5s. share, for example, was recently worth over £4.

During the war many consumer goods, including food and personal and household articles, had to be rationed because of their scarcity, and housewives found themselves with clothing and sheets that had to be patched again and again because there were no new ones in the stores or because they had no coupons to buy them. When fighting ceased, a great demand naturally arose for the many things that had been in short supply—suits, shirts, carpets, curtains, and similar consumer goods. Certainly now there were many people released from the Forces who were available to make these goods, but the trouble was that food and raw materials were wanted from abroad. When British goods were made, therefore, they often had to be exported to pay for what came from other lands instead of going to the people of this country. The result was that the home market, while having a few more goods to sell than in war-time, still had far from enough to satisfy demand. Hence, so that all, rich and poor, should get fair shares, rationing and other controls continued for some considerable time. As more goods are becoming available in the post-war years, however, restrictions are gradually being released, and to-day only a few food items still remain under a direct rationing system.

Capital Goods.

A factory lasts a very long time; so does a tractor, or a railway engine, or a loom, or a lathe. Each is wealth that will help in making further wealth; each comes under the heading of capital goods.

An interesting exercise you can do is to list ten items of consumer goods, taking note of the time it takes you to do so, and then to find out how long it takes you to make a list of ten items of capital goods. A comparison of the two times will

then help to impress on you what it is in these goods that makes the difference between them.

FOR FURTHER STUDY AND DISCUSSION

1. Every co-operative shareholder is a capitalist. How?
2. Cash sales are preferable. Why? To whom? Why is so much credit allowed in many shops?
3. Goods well packed or well displayed invite buyers. Comment.
4. The big grocery and provision stores offer careers to boys and girls leaving school. Find out what you can about pay and prospects.
5. Why are co-operative and other shop assistants encouraged to attend classes?
6. A one-man grocery shopkeeper stated his objections to the Co-operative movement. Put yourself in his place and list these objections.
7. List twenty articles which can be classified as consumer goods. How, and by whom, are capital goods sold?
8. Sales by auction; sales by a Dutch auction; sales from market stalls; sales "over a cup of coffee". Do these methods differ from those described in this chapter? How?
9. If ten neighbours combined to buy a two-ton load of potatoes for their own use, what would be the benefit to them and to the farmer-grower? What drawbacks are there, if any?
10. What are branded goods? Name six branded foods. Why are more goods sold in this way now than formerly?

CHAPTER X

TRADE UNIONS

Unity is Strength.

The school Debating Society was in session and the proposition to be considered was "That in the opinion of this house trade unions are beneficial". Only eleven members had turned up at the time appointed for opening—a House football match was in progress—and so it was decided that instead of set speeches there would be informal discussion. If you had listened in, you would have heard the arguments and discussion as they are printed here.

"Now, Mary Roberts," said Mr. Hall, "you're down to open this debate. Will you begin, please?"

"Yes, sir. The proposition before us is 'That in the opinion of this house trade unions are beneficial'. Now, I think they are because . . ."

"Shouldn't she explain the proposition first? 'Beneficial'? Beneficial to whom?" Tom Wilson interrupted.

"Could you put it more clearly, more fully, Mary?" the headmaster suggested.

"Well, sir, beneficial to everybody—to the workers, employers, and the community as a whole. Perhaps now I'll be allowed to go on," Mary added, glaring with pretended annoyance at Tom Wilson.

"In a minute, young lady," remarked the headmaster, smiling

at her impatience (Mary was fifteen and a very reliable girl). "Remember we agreed that because we were so few—I see there are fourteen with the latecomers—this was to be an informal talk. What about giving us a definition first of all, eh?"

"Yes, Mr. Hall. I'll begin by giving a definition. 'A trade union is an organized body of workmen in any trade formed for the protection and promotion of their common interests.'"

"Where did you get that?" was the question that immediately came from Frank Thorp.

"Out of the dictionary," Mary replied briefly.

"You should say workmen *and* workwomen," Rose Brown put in, for which she got a look of reproof from Mary.

Mary went on. "Before the days of trade unions workers had to bear many troubles and sufferings. Wages could be reduced unreasonably and without notice, hours of labour were unduly long, workshops were unhealthy, and dangerous machinery was not properly fenced.

"A hundred or so years ago, if an employer wished, he could dismiss his men with little or no notice, but if they, on their side, joined together to give notice they could be sent to prison. For instance, some cutlery workers were sentenced to three months in gaol because they combined to pay unemployment benefit and to try to prevent wages dropping."

"Come to this century," was Frank Lee's chaffing suggestion. "It's to-day we're interested in—not a hundred years ago. How are trade unions beneficial?"

"I'll show you. A man alone isn't as strong as a group. 'Unity is strength', as they say, or 'United we stand—divided we fall'. A trade union can secure fair wages by round-table discussions between its officers and the employers. It helps to

settle industrial disputes by peaceful methods, and tries its utmost to prevent strikes and lock-outs."

"You've done very well, Mary," said Mr. Hall, as Mary sat down. "Who's your seconder?"

"Ralph Hinks."

"Your turn, Hinks," said the headmaster. "Can you put in what she's left out?"

"I'll try, sir. I ought to be able to, because my Dad's district secretary for the N.U.R. He's given me some notes I'm going to read to——"

"No note reading." "What's N.U.R.?" "He ought to speak, not read," came heckling voices.

"There's no rule against reading," maintained the speaker, "and the N.U.R. is the National Union of Railwaymen."

Mr. Hall nodded agreement.

Ralph read: "Trade unions try to get wage increases, to prevent wage reductions, to secure reasonable working hours and holidays with pay. They urge that the Factory Acts, which secure workmen against dangerous machinery and dirty and unhealthy work-places, should be enforced. If men are without work through an authorized strike the trade unions help to support them——"

"What do you mean by an authorized strike?" put in the headmaster.

"Stoppage of work as a whole body when the union as a whole body has agreed to do so," explained Ralph, and then went on reading:

"Trade unions give help and advice when workmen, disabled by accident at work, apply for compensation."

A Trade Union Official Speaks.

When he sat down it was agreed that the remainder of the proceedings should be by question and answer, and most of the answers came from Mr. Hinks, who had called in to arrange for a meeting of a Parents' Association committee.

Question: Don't trade unions, by bringing force to bear on the employers, aim to prevent owners doing what they like with their own property?

Answer: The employers have found that if they can get their men to co-operate it pays both employers and work-people.

Question: Don't the unions try to force men to become members, so that if workers refuse, their lives can be made very unpleasant?

Answer: I agree; unpleasantness can and does occur, though force is never used. It does not seem fair though that those who avoid membership get benefits won by their mates when all ought to pay to help to get better conditions.

Question: Isn't it a fact that many employers, who are usually very fair to their workers, become severe and harsh when trade union officials take the men's parts?

Answer: That was true in days gone by when every worker was personally known to his employer. In these days of huge businesses employing hundreds, sometimes thousands, the idea is accepted that both the employers and the unions conduct their negotiations through experienced and paid officials.

Question: Haven't workers' combinations encouraged combinations of employers who are naturally stronger because they have more resources?

Answer: I suppose that's true. But when a dispute is likely to be more than usually serious, likely to hurt the whole nation, the government steps in to act as peacemaker, and succeeds very often. Besides, workers know well enough what distress to themselves and families may result from a strike.

Question: If workers, through their trade unions, succeed in getting better wages, don't they increase the cost of goods they make, thus driving business away, and thus causing unemployment to themselves and other workers?

Answer: There isn't a short and simple answer to that question. It's true that if wages make the goods too dear, the employers will try to reduce costs by various methods—by sacking men, by introducing machines, by using cheaper labour, and so on.

Question: What methods have caused the reduction in strikes of recent years?

Answer: Disputes have been mostly settled by agreement by joint bodies of employers and workers such as the Whitley and Joint Industrial Councils (J.I.C.); arbitration tribunals, too, have helped to keep industrial peace.

Question: You seem to think trade unions are full of virtues. Have they no faults?

Answer: Of course they have, naturally. Some unions have too many members and their officers cannot keep intimate touch with all of them and their conditions at work. Some trade unionists cause industrial strife by refusing to work with non-unionists. Hindrances on jobs may be caused by rival trade unions insisting that only their members be allowed to do a particular piece of work.

At this point Mr. Hall announced that their time was nearly over and they might go on with the discussion a fortnight later. They all agreed that because the subject was so wide they had better tie themselves down to one or two aspects of it only. They also agreed to invite Mr. Hinks and also a local employer to be present.

"I suggest," said Mr. Hall, "that the members of the committee get out a programme for the next time and that they prepare for a topic chosen from the following:

- (a) That trade union rates of pay hurt the best workers.
- (b) That trade unions are powerless against labour-saving machines.
- (c) That trade unionism is a danger to liberty."

The meeting then closed, but the discussion continued among the members of the Debating Society on their way home, and they all looked forward enthusiastically to their debate a fortnight hence.

FOR FURTHER STUDY AND DISCUSSION

1. The Combination Laws were repealed in 1824, and from that date modern trade unionism began. Find out more about this.
2. Give the pros and cons of the five-day working week for
(a) miners, (b) shop assistants, (c) farm workers.
3. The printing trade helps to keep up its wages and other conditions by limiting the numbers of recruits. Can this be done in any other trades?

4. How is recruitment for medicine and dentistry and law regulated?
5. What is the difference between a strike and a lock-out?
6. What benevolent work for its members is undertaken by trade unions?
7. Give a brief description of the (a) N.U.T., (b) N.U.J., (c) B.M.A., (d) N.U.M., (e) T.G.W.
8. If soldiers went on strike it would be mutiny. Could the same thing be said to happen if workers in state industries went on strike?
9. Should workers in a cotton mill help to manage it?
10. Who were the Tolpuddle Martyrs?

Question: You'll have to be clearer than that.

Answer: The foundations of the state are the people in these islands on the voters' lists, that is, more than 30,000,000. They can't, as a body, manage the whole nation, so they elect persons from among themselves to represent them in the House of Commons, a part of Parliament.

Question: What is Parliament?

Answer: The Sovereign, the Houses of Lords, and Commons.

Question: What does Parliament do?

Answer: It makes laws and controls the nation's finances.

Question: So the voters' permission and will, as expressed by their votes at parliamentary elections, decide how the country shall be managed?

Answer: Yes, that's right. It's all given in detail in the Civics text-book.

Question: Do Parliament and the voters make the state?

Answer: Yes, but only partly. I should say the state in this country must be thought of in four parts:

- (a) Parliament.
- (b) The Executive.
- (c) The Judiciary.
- (d) The voters.

Question: I'll see quite clearly what the state means when you've explained the second and third, the Executive and the Judiciary. Please explain.

Answer: Yes. Briefly the Executive does the actual governing. It puts into force the laws made by Parliament. It is divided into several departments or ministries, each in charge of a

member of the Government, often a Cabinet Minister. The huge permanent staffs employed in these departments, such as the War Office, Ministries of Labour and Education, are known as Civil Servants.

The Judiciary consists of the judges and magistrates and the officials aiding them.

Question: Does that mean that Parliament, the Executive, the Judiciary and the voters—the state—have together the power of doing anything they like here?

Answer: Yes, in theory. It has been said that the only thing that cannot be done by the state is “to make an old man young or an ogress into a beauty”—an exaggerated way of stating that the power of the voters, or their majority—given by them to Parliament—is far-reaching.

What the State Does.

Question: What does the state provide?

Answer: It helps to maintain and advance the good of the people generally.

Question: Is the state at work in every town and village?

Answer: Certainly. Local government councils work within the laws made for the carrying out of their duties, and government departments are in frequent and close contact with the paid and unpaid representatives of local authorities.

Question: How can the work of the state be seen by the people?

Answer: That's a tall order because the state does so very much. It influences the life of a citizen and his dependants for their good from birth to death—in fact, from before the birth of an infant till after life has passed away.

Question: So that the state holds sway over us all our lives?

Answer: Yes. Here are a few examples of the state's activities that have influenced you in the past, are affecting you now, and will certainly be in contact with you in the future, as long as you live.

Before a baby is due to arrive, the Maternity and Child Welfare officers of a local council may advise and assist the expectant mother so that all shall be normal. Associated with the municipal health services are clinics at which the pre-school child may have minor ailments treated; and when he is attending school he is subject to medical and dental examinations (and free treatment or advice if necessary) by the School Medical Officer and Dentist.

The state's insistence that he shall attend school is to ensure that he shall be mentally, morally, and physically prepared for his adult career. The provision of school milk and meals are part of the preparation.

On entering his life work he comes under National Insurance, for health and unemployment purposes.

When he dies, the state requires notification and must be satisfied with the proper disposal of the body.

Agents of the State.

Question: Can we say that the income tax clerk, the sanitary inspector, the teacher, and the soldier, and many others are direct or indirect agents of the state?

Answer: Yes. There are many of these such agents.

During his lifetime the citizen's health and safety are the constant care of his national and local rulers. Police are appointed to safeguard life and property and to prevent and

detect crime. The Defence Services are established to prevent dangers from possible enemies both inside and outside the country.

Food and water are maintained at the highest standard of purity by local health authorities. The removal of sewage, under the control of local councils, prevents dangers from contamination by harmful germs. Facilities for recreation and pleasure are liberally provided by parks committees, and education committees give ample encouragement towards advancement in livelihood and leisure to all who desire it.

Local councils have a duty laid upon them to provide houses where urgently needed, and there is a state body to give relief to the genuinely distressed who apply.

In a sentence, the state functions through its constituent parts. It ensures that its members, the citizens, may have the satisfaction of doing as they wish, say what they like and worship as they please, providing no other citizen's rights are infringed, and providing the law is observed.

Question: But can we *all* get the satisfactions and joys you mention?

Answer: Of course you can. There's a chance for everybody. It depends on yourself.

Question: But what about those boys and girls who are quite ordinary, or even below average, in their school work?

Answer: I see your point. You think it's only the good scholars who get all the praise and all the advantages. This is not really the case, however. The schools are ordered to teach according to the age, aptitude, and ability of all pupils, and they aim at giving all children—dull, average, or bright—every chance.

You can see the result of this outside the school walls,

where it is obvious that children clever at book-work do not always have the advantage when they go out into the world. Aren't there happy and successful men and women who may have been below standard in school work? Remember there are other standards besides academic ones and that happiness can be found in many ways. Much joy in life comes from service to others in many walks of life—in church and chapel societies, in music, art, and literature, in recreation and in local government.

Question: But there are differences in livelihood, aren't there?

Answer: Obviously, but all men and women in their chosen or allotted sphere can find joy and happiness if they determine to make the best of what has been given them.

And now, chaps, the rain's over, so that's the end of our discussion meantime—and jolly interesting it's been too. You lads at school and you working chaps at the W.E.A. course had better thrash out these details about the state and getting a living with your master or lecturer. You'll find that many references will have to be made to the standard of living or comfort.

Standard of Living.

Discussions did take place, both among the sixth-formers (boys and girls up to nineteen years old) and at the W.E.A. meeting attended by adults. The phrases "Cost of Living" and "Standard of Comfort" kept on recurring, and finally it was decided to find out just what these meant.

At first they thought it would be quite a simple matter to make inquiries from neighbours and friends and to compile statements showing on the one side the weekly earnings and on the other the main heads of expenditure. They assumed, for

example, that a family where the breadwinner was an unskilled workman earning about £6 per week would necessarily have a lower standard than one where the head of the household earned £10 a week.

A little reflection, however, showed that no general comparison could be made from a few cases of family income and expenditure and that circumstances varied very widely from family to family. What did appear to be a reasonable statement was that the standard of comfort of a family was closely related to such factors as

- (a) the total amount of wages or income available;
- (b) the total amount which had to be spent on rent or purchase of the house;
- (c) the size of the family, particularly the number of children under 15 or still attending school or college;
- (d) the wisdom or lack of wisdom with which the money available was spent.

To illustrate the matter a comparison was made between two households—that of a farm-worker drawing £6 a week and that of a clerk earning £10 a week. The farm-worker rented a cottage very cheaply. He had one child and a healthy, thrifty wife who was a good manager and laid out her few pounds of housekeeping money in the best possible manner. The cottage had a good vegetable garden. The clerk lived in a suburb of the city and had to incur heavy expenses in reaching his work. He was buying his house. There were three children and his wife was ailing and had occasionally to employ domestic help. It was seen clearly from a comparison of these two households that the standard of comfort was not governed merely by the wages received.

In fact, even the Government has found it extremely difficult to compile a reliable basis upon which changes in the cost of living can be measured from time to time or by which the standard of comfort of various families can be rated. It can only be done by taking examples of thousands and thousands of family budgets. Even then the resulting information cannot be used too long with any accuracy since social habits may change. The Cost of Living Index which is issued by the Board of Trade is based upon information obtained many years ago. In such an Index the basic year cost of living is called 100 and movements up or down are published. To be of any real value such an Index would have to include, in addition to food, clothing, and shelter, such things as fuel, travel, entertainment, savings, tobacco, and drink.

It is a good exercise to work out for yourself a statement of your own family cost of living. You would have to include such items as

Food: How much do you consume a week? What is its cost? How much is for meals at home and how much for meals in canteens?

Housing: What rent or mortgage is paid? Are there ground burdens? How much are the rates and taxes? What is the cost of insurance against fire?

Travel: What is the cost of transport to and from work?

Clothing: What is the cost of clothing for each member of the family?

Fuel: What is the cost of heating, lighting, and cooking?

Furnishing: How much is spent on furniture and what is bought?

Tobacco: What is spent on cigarettes, tobacco, etc.?

Alcohol: How much is spent on beer, wines, and spirits?

Newspapers: What is the weekly bill for newspapers, magazines, and books?

Entertainment: What is spent on football matches, pools, cinemas, dances, etc.? How much on holidays?

Savings: What is saved, either by putting it in the bank, purchasing savings bonds, or by insurances?

The attempt to compile such a statement will at once show how difficult it is to arrive at a basis of comparison for all the families in the country. It will, however, give you much information about standards of living and indicate how, beside total income, factors like upbringing, character, tastes, customs, and opportunities, play an important part.

It will also emphasize the difference between nominal income (i.e. the actual amount of money income) and real income (i.e. the goods and services which can be bought with the money).

Look around among your friends and you will observe that each worker (whatever his or her grade) is looking forward to some increase in income. If he attains his desire, the goal of ambition will be just a little higher still, for each no doubt suffers from that "divine discontent" which is the spur to endeavour. But each is affected by conditions and influences which may prevent or, on the other hand, may encourage a change in circumstances, pay, prospects, and the standard of living. Perhaps the most important of these influences are the man's character and education, and with them, as pointed out on previous pages, go such factors as supply of and demand for labour, prolonged infancy (length of time one is dependent on one's parents), knowledge of openings, the appropriate influence,

international tension—factors that are rarely controlled by the individual.

How does the state play its part in enabling its citizens to make a living and to live a full life? The answer was given in the list of services provided by law for maintaining safety, physical and mental health, and freedom. These, under national and local control, give employment to thousands of men and women and involve the purchase and use of much material. The cost runs into many millions annually, a bill that has to be met by the imposition of national taxes and local rates.

You get all these services. What is expected from you in return? That is not an easy question but it is one that is well worth discussion.

FOR FURTHER STUDY AND DISCUSSION

1. How does the state protect the community from traffic dangers?
2. Compare the family budget of a metal-worker or shop assistant or foreman on £ x per week with that of a brick-layer's labourer on £ $x-y$ per week.
3. What is the difference between the wealth and welfare of a nation?
4. What publicly provided services can you list in operation
(a) at school, (b) at home?
5. The nation is composed of (a) the unemployed, (b) the very poor, (c) the poor, (d) the lower middle class, (e) the middle class, (f) the upper middle class, (g) the rich, and (h) the very rich. Find out what this classification means in income per week.

6. "Happiness is not a matter of income only." Discuss.
7. "Man does not live by bread alone." How does the school as a preparation for life bear this proverb in mind?
8. Why do central departments—the Ministries of Health and Education, and the Home Office—share in the control of local affairs?
9. Are boys and girls part of the state?
10. Why, even in days of rationing of short supplies, does the man with a higher income fare better than one in the lower income group?

or

What are (a) profiteers, (b) controlled prices, (c) utility goods, (d) food controls, (e) full employment?

CHAPTER XII

MORE MONEY MATTERS

As was stated at the end of the last chapter, all the services provided by the community for the community—by the state for the nation—cost a lot of money; and the sources of this money must be mainly from the public at large, from taxes and rates, as you have already discovered. To these taxes and rates can be added the profits or revenues from trading services, such as the returns from the Post Office and from the sale of water, and transport; also the rents paid to governing bodies, local and national, when they let land.

Now let us look at some of the financial transactions of both the government and the individual.

Quick State Payments.

When the government and municipalities order work to be done, they pay for it without undue delay, since contracting firms cannot wait long for settlement when they have numerous daily and weekly labour bills and other expenses to meet. If an aerodrome or an office for the Ministry of National Insurance is ordered to be built, for example, the contractor is paid in full within a very short time after the buildings are ready for occupation. If a battleship is launched, the shipbuilder receives final payment very soon after the vessel is taken over by the Admiralty. This is the case whether the bill is large or small.

If the payment is for a comparatively small order, as for a typewriter or some office furniture, payment is made from funds in hand, or out of revenue. Of course, properly audited accounts are kept and other precautions are taken to prevent misuse of public money.

State Borrowing.

If the amount to be paid is large, as for a new police station or for a squadron of R.A.F. jet planes, the procedure is to settle accounts with borrowed money, repaid to the lenders with interest at agreed rates. This is what may happen with the money you have lent by buying a Saving Certificate, which is simply a document proving that the Government owes you money and will pay you interest on it as long as you let them use it.

National Debt.

All money borrowed by the government and not yet repaid is classed as the National Debt. Most of it is owing to lenders living in this country—the internal debt; many millions have been lent by governments overseas, the United States and Canada chiefly—the external debt. This scheme of postponed payment, of “leaving the bill to posterity”, is the usual method of providing defence materials during a war. In years to come, even a century hence, the people of Great Britain and abroad will be receiving principal and interest in connexion with money lent to win the Second World War.

Just now the National Debt stands at several thousand millions, a figure with many noughts, similar to those you may read in books on astronomy in connexion with star and light distances. It is safe to say that this debt will never be paid off. No one

This is not to say that the moneys that comprise the National Debt have been spent in vain. We have to show for it that priceless possession, a country and commonwealth where freedom is the tradition and heritage of all citizens. You could add here, too, the many electric generating stations, railways, coalmines, and other concerns nationalized within recent years. The nation or state owns all these and their values are shown to some extent in the National Debt figures.

Credit.

If you lend a bicycle to a class-mate you expect to get it back in practically the same condition as when you parted with it temporarily. You have a belief in the trustworthiness of your friend; you know he would do something similar for you if you had the need and he had the means of gratifying it. That exemplifies one sense in which the word credit is used.

A draper in Motherwell or Dorchester is interviewed by a traveller from a Manchester wholesale house and an order for £200 worth of goods is given with ninety days' credit, i.e. ninety days in which to pay the bill. The retailer, if he is a new customer, will not get his consignment of goods until careful inquiries as to his trustworthiness have been made. His referees, such as a bank or a wholesale trader, may be consulted; probably a Commercial Inquiry Agency, such as Stubbs's, will be referred to as being in a position to give confidential information concerning his commercial integrity. To put it plainly, the wholesale house must find out if the retail draper is a man to be trusted. If it is found that he is a sound man (and this delicate investigation is made in as discreet a manner as possible) he gets his goods and is allowed three months in which to pay for

them. That is another example of one of the shades of meaning in the term credit.

Discount.

If the Motherwell retailer paid cash—not very usual in modern business—he would be entitled to a discount, say $2\frac{1}{2}\%$ to 5% . This means that he is obtaining the sheets, table-cloths, curtains, and other goods at the real price of £190 or £195 fixed by the wholesaler and not being made to pay the additional charge of £5 or £10 which the wholesaler makes for having to wait for his money. You can see, then, that this £5 or £10 is another form of interest, the price which the retail merchant pays to the wholesaler for the temporary control—or possession—of transferred capital, i.e. the merchandise.

Another way of putting it is to say that the payment for credit is interest. You believe that somebody, or some group, or some institution, is to be trusted with the use of your capital; you receive a certain amount of interest, as agreed, and at times agreed, as a reward for allowing the right to your money to go out of your possession, or out of your power to enjoy its use or spending. You do not worry much, as a rule, what the borrower does with your funds so long as he keeps his contract with you.

The People's Savings.

All the commercial lending and credit that are indispensable parts of modern commerce have the qualities above described. There is no doubt about how it works; it works satisfactorily, for several millions of money are lent and borrowed throughout every year. Thus the people's savings are deposited in organizations like the Post Office Savings Bank; Joint Stock Banks

(savings department); Building Societies; Co-operative, Friendly and Insurance Societies; Trustee Savings Banks; as well as invested in Government and Municipal Stocks, National Savings Certificates, and Industrial stocks and shares.

Very probably more than 90% of the adult population has funds deposited in one or more of these concerns, and so it is safe to say that the nation includes millions of capitalists, an assertion which becomes more obvious when the numerous owner-occupiers of dwelling-houses are included. This does not mean that there is no poverty. That still exists, but real destitution, such as was known earlier in the century, rarely occurs because the Assistance authorities and voluntary organizations carry out their duties vigilantly and sympathetically. Again, Parliament gives increasing attention to relieve the sufferings that accompany unemployment, though naturally, measures to provide work are the best relief.

Banks and Bank Services.

Among the most important money-lenders and borrowers in the country are the Joint Stock Banks whose proprietors are their shareholders. Barclays, Midland, Lloyds, Westminster, and National Provincial (each with many branches) are sometimes spoken of as the "Big Five". When these firms lend money they are as much money-lenders as pawnbrokers are. There are differences in methods, true, but each lends with the assurance that the amount lent, and the interest, will be safeguarded.

If you lend money to a Joint Stock Bank and undertake to give an agreed notice before withdrawal, you are said to have a Deposit Account, and you will receive interest, that is, a payment for the loan of your money. If you pay in money and draw some of it out, deposit some, and keep on drawing out (by

cheques) when you need it, you are said to have a Current Account and you will probably receive no interest.

A business man has a current account because it is a source of convenience to him. If you put £100 in Barclays or Westminster Bank you are their creditors to that amount: they are your debtors. You can get your money whenever you want during business hours. If all the banks' creditors wanted their money out at the same time it would mean financial disaster, but it has been found from long experience that a banker is safe if he always has at hand about 10% of the money he owes. The other 90% he lends or invests so as to make a profit.

The scene was a classroom in an Evening Commercial School and the lesson was headed "Bank Services". The man in front was not a day-school teacher, but the deputy manager from the nearby Midland Bank. On the desks were samples of the documents used in banking business. It was the final fifteen minutes of a lesson period and this is a report of some of the questions and discussions:

Deputy Manager: We've examined cheques, pay-in books, monthly and quarterly statements to depositors, and other documents. We know what they're for and how they're used. I want you now to sum up what banks do for their customers.

Pupils: Their premises are safer than homes, offices, or shops for keeping money, valuables, deeds, and other documents.

Deputy Manager: Very well put! Make a note of that. And remember, Miss Perkins (this to a neat little typist), what to do with your diamond earrings and tiara when you're not using them! (Mary says she has no such jewels because Woolworth's haven't any on their counters.)

What else are banks for?

Pupils: By the use of cheques the inconvenient handling and despatching of huge amounts of coin and notes are avoided.

Deputy Manager: We dealt with that last week. What else did we note then?

Pupils: They collect cheques, postal orders, money orders, dividends, and other moneys on instruction from depositors. Similarly bankers pay out moneys from depositors' accounts.

Deputy Manager: Another bank function?

Pupils: Customers name their bankers as referees, and with the help of this method business men can obtain credit from wholesalers and manufacturers.

Deputy Manager: Yes. Quite a lot of shady business can be stopped through referring to the banks. Anything else the banks do?

Pupils: Customers with money to invest can get advice from the manager.

Deputy Manager: True. Managers help clients to avoid "bucket shops" or other swindles. Don't expect a manager to recommend a gambling scheme. But no one has yet mentioned a very important bank activity—the most important probably. What's that?

Pupils: Banks lend money on approved security. They'll make a loan if they're reasonably sure that the borrower is fit to be trusted to pay back the principal and interest at the times agreed upon.

Deputy Manager: Yes. Lending money is the chief service the banks give, and it's a very important method for recouping themselves for the many services they give—some of which are not a direct source of profit. Anything else?

Pupils: Customers travelling abroad can get advice about foreign money and commercial practices.

Banks change foreign money and can provide it.

Most banks will act as executors of wills; that is, they will carry out instructions written by the person leaving property by will.

They may act as trustees by managing the income arising from lands, houses, and other property entrusted to them.

Deputy Manager: Very good. You might remember, too, that the banks do valuable work in keeping businesses going and so helping people to make a living. That's what we all work for. Only this morning the secretary of a certain firm arranged to borrow £5000 from us to pay expenses, like wages, and to obtain more steel sheets to complete an export order. He'd sold goods, but payment wasn't due for another fortnight, and work-people can't be kept waiting for their earnings.

That's all to-day then. You've given very good answers concerning bank functions and it's a pleasure to note the way you've looked up the subject in your textbook.

FOR FURTHER STUDY AND DISCUSSION

1. The more money you save and lend the better for all. Examine this statement and give reasons for buying National Savings Certificates.
2. "Neither a lender nor a borrower be." This is a quotation from *Hamlet*. Comment on it as (a) private practice, (b) public and commercial practice.

3. What are the functions of a Building Society? Account for the increase in numbers and activities of these bodies.

or

Does your Council lend money to help in house purchase? Find interest terms, and compare with cost of loans from other concerns.

4. Look up and define the following terms:

“bucket shop”; trustee of an estate; executor of a will; industrial insurance; usury.

5. What is the connexion between a slump, a boom, and unemployment?

6. Bankruptcy is the final chapter of a book of unpaid debts. Give more details.

7. How does it pay Britain to lend money abroad?

8. “Credit is the life blood of commerce.” Despite this saying, Woolworth’s, Marks and Spencer, Boots, and the Co-operative Societies are doing increasing business for cash. Explain.

9. Find out what you can about recruitment, pay, prospects, and conditions of employment in a bank.

10. When goods are too few it is better for the Chancellor to increase taxation. Better for whom and why?

CHAPTER XIII

INSURANCE FOR EVERYBODY

National Insurance.

John Brown had applied for a situation with the Reliance Building Company Limited. He had seen the announcement on the school notice-board.

"Boy, aged 15, wanted for works office of a building company. Apply Headmaster."

The interview was now taking place at the company's head office where Mr. Clay, one of the directors, was questioning John.

"Are you any relation to Mr. William Brown—Bill Brown—in our carpentry department?"

"Yes, sir. He's my dad."

"A good man. And you want to follow in your dad's footsteps?"

"Not exactly, sir. He's a 'chippy', a carpenter only, but I want to see many sides of the building trade."

"How do you mean, my lad?"

"Well, sir, I want to know something of all the jobs in building—bricklaying, carpentry, plumbing, tiling, and glazing. And I want to know, too, about working from drawings, and calculating builders' quantities. Those are some of the ideas Mr. Hall, our headmaster, suggested. And——"

"Hold on, Brown. You've great ambitions. I hope you'll work as well as you can talk. You'll have to walk before you run. Mind you, I don't say all you've stated is impossible, but it'll take you a few years, and it'll mean a lot of real hard work."

"Yes, sir. My Dad says if I go to night school I could learn some surveying and architecture——"

"All right, youngster, we'll give you a trial. We'll do all we can to help you for the sake of our business and for your sake. Begin Monday next, 8 a.m. You'll be under Mr. Wright in the office, and Mr. Ladden in the yard will be told to keep an eye on you. Your commencing wage will be 30s. a week, and after a month's trial—if you're satisfactory, and you still want to be in the building business—we'll draw up an apprenticeship agreement."

"Thank you very much, sir."

"Before you go, Brown, I suppose you know you'll have to pay for National Insurance."

"I don't know what you mean, sir."

"It doesn't matter now. I've no time to explain. Find out before you come in on Monday."

John came home to break the glad news of his first job. Mrs. Brown was delighted, and so was Dad when he came home.

"You'll be all right with our firm, son. If you do your job properly, and generally show yourself willing, the masters will stand by you and help you all they can. I've known all the bosses since they started."

"Yes, Dad. What did Mr. Clay mean by telling me I'd have to pay National Insurance?"

"It means that part of your pay all your working life is taken

for compulsory insurance. This is managed by the state through the Ministry of National Insurance whose branches have been established since 1948 in most large and small towns. Every boy and girl on going into work must be insured for health and unemployment, and——"

"Do you mean," John interrupted, "the insurance doctor and the 'dole'?"

"That's a fairly general way of putting it, but I think it'd be as well if you got it all quite correctly.

"First of all, haven't you ever had sums in school about insurance and premiums policies?"

"Of course. A shipowner pays premiums to insure his ships and cargo so that if it is wrecked or damaged, he gets back much of the value he has lost. He pays a premium on an agreed amount to cover the risk of his property being damaged or lost."

"Yes," said Mr. Brown. "Here's another case. You know Hardhitter, the county cricketer, a professional. He had a benefit as a reward for years of good service. This consisted of a gift of the takings or gate-money of a match, plus collections and donations from spectators and other supporters. Had it rained his benefit wouldn't have come to much, so his club took out an insurance. It worked like this. If it had been wet all three days or for certain hours during playtime, the insurance people would have had to pay Hardhitter or his club a sum to recoup him for lost benefit money."

"Can you insure against most risks?"

"Most of them. Now this National Insurance that both you and your employer will have to pay weekly is to cover three risks—sickness, accidents at work, and unemployment. If you become ill you get medical attention, medicine, and dental

attention—all because you're insured. And if you are off work ill you get a cash benefit. Here are the ordinary rates, per week, after the first three days."

RATES OF SICKNESS BENEFIT

(Covered by National Insurance)

Sex and Age	s.	d.
(a) Adult aged 18 and over, except married women	50	—
Increase for adult dependant	30	—
Increase for first child	15	—
(b) Married woman aged 18 and over	34	—
Increase for invalid husband	16	—
(c) Boys and girls under 18	28	6

"The doctor on whose list you'll go will be paid a fixed amount for every person who registers with him. And he gets this sum whether that person is ill or not, but he's ready to give medical attention if he's wanted.

"You'd better be on Dr. Leech's list. He's known you all your life."

"You know, Dad, I feel I'll be paying for these stamps for nothing. I'm fit enough and careful enough, and my job's going to be regular."

"My mates and I used to say the same when we were young. The years, however, have told a different tale."

"Just a minute now, Dad. I'm not quite clear about everything. How will the few shillings paid for me by my employer and myself each week mount up so that there'll be enough money to give me all these medical benefits when I'm ill, and also help me when I'm hurt, or out of work?"

"I'm glad you stopped me when you didn't understand.

There'll be millions of people paying each week, and each payment will be shown by a stamp bought at the post office. Every employed person and many others must have a stamp card. The total annual sum for stamps will bring in millions. Only a few people are likely to be ill at one time, however, so there will be enough money to help them."

"Supposing the whole scheme doesn't pay for itself through the stamps?"

"Then," said Mr. Brown, "the shortage, or deficit, will be made up out of taxes."

"How much are the stamps, Dad?"

"Here's the leaflet. It gives full particulars."

He handed his son a copy of the tables shown opposite.

"Thanks. I'll keep this by me. What about pay if I'm hurt at work and have to lie in bed? And what about when I'm out of work—and I hope I never shall be."

"You never know. Accidents happen, and when wages stop it's good to have a little bit coming in."

"Here are the figures you want for 100% disablement. You'd be advised to watch the papers in case any of these rules or figures are modified."

RATES OF INJURY BENEFIT
(Covered by Industrial Injuries Insurance)

Sex and Age				s.	d.
(a)	Adult of either sex over 18 ..	..	..	85	—
	Increase for adult dependant ..	..	..	30	—
	Increase for first child ..	..	..	15	—
(b)	Boys and girls between 17 and 18 ..	..	..	63	9
(c)	Boys and girls under 17, but over school leaving age			42	6

**NATIONAL INSURANCE
AND
NATIONAL HEALTH SERVICE CONTRIBUTIONS**

CLASS 1 EMPLOYED PERSONS	MEN		WOMEN	
	18 or over	Under 18	18 or over	Under 18
Paid by Employee	9s. 5d.	5s. 3d.	7s. 8d.	4s. 6d.
Paid by Employer	8s. 1d.	4s. 9d.	6s. 7d.	3s. 10d.
TOTAL	17s. 6d.	10s. 0d.	14s. 3d.	8s. 4d.

All the above rates include Industrial Injuries Contributions which are as follows:

	MEN		WOMEN	
	18 or over	Under 18	18 or over	Under 18
Paid by Employee	8d.	4d.	5d.	3d.
Paid by Employer	9d.	5d.	6d.	3d.
TOTAL	1s. 5d.	9d.	11d.	6d.

CLASS 2 SELF-EMPLOYED PERSONS	MEN		WOMEN	
	18 or over	Under 18	18 or over	Under 18
	11s. 6d.	6s. 7d.	9s. 8d.	5s. 9d.
CLASS 3 NON-EMPLOYED PERSONS	9s. 1d.	5s. 3d.	7s. 3d.	4s. 4d.

The National Health Service Contributions which are as follows are included in the combined weekly rates shown.

ALL CLASSES

MEN		WOMEN	
Age 18 or over	1s. 8d.	Age 18 or over	1s. 4d.
Age under 18	1s. 0d.	Age under 18	1s. 0d.

For employed persons, the employer's share of the above amounts is 3d. For convenience these contributions are paid with the National Insurance Contribution in one combined stamp.

RATES OF UNEMPLOYMENT BENEFIT
(Covered by National Insurance)

Sex and Age					s.	d.
(a)	Adult of either sex over 18 except married women				50	—
	Increase for adult dependant				30	—
	Increase for first child				15	—
(b)	Married woman over 18				34	—
(c)	Boys and girls under 18				28	6

These rates, except that for a dependent child, may be reduced if the contributions paid or credited fall short of the required number.

Other Kinds of Insurance.

Besides the Ministry of National Insurance there are many insurance companies who employ agents to make regular house-to-house calls to do business and collect premiums. You may have seen them with their neat little collecting books in their hands. Perhaps an arrangement could be made for such an agent to come into school to explain his work to you. You would need, first of all, to look up the subject and to pay a research visit to the local library, where the assistants would probably give you all possible help. Then you ought to be ready to put prepared questions to the visiting insurance agent.

Such a caller, the father of one of the boys in the fourth year, came into a secondary school one day. His visit was by arrangement made a month previously for the purpose of discussing points in connexion with the reason for insurance, what it does, and how it works.

Here are some items of information the class noted as a result of their previous researches and the insurance agent's visit.

Insurance is a legal scheme to secure full or part compensation for loss or injury to life or property by paying an agreed sum on agreed dates. The sum paid is called a premium. The legal document that the insured person receives is called a policy. In it are full particulars of the payments, and the times when the policy holder and the company will have to make them.

It is possible to insure against almost every kind of risk—against shipwreck, fire, theft, loss of crops owing to bad weather, and accidents to persons and vehicles. In most homes insurances have been effected so as to cover loss from fire and other accidents. In addition, the father of a family may take out an endowment policy. This means that at the end of an agreed number of years of regular premium payments the company pays the insured person a lump sum plus an additional amount which is a form of interest. Obviously this is an excellent means of saving.

The agent mentioned two cases of policy holders who had benefited from their connexion with his company.

“Last week I paid Mr. AB £280. He had paid 15s. 6d. a month for twenty years, £186 in all. Had he died during those twenty years his widow would have been paid at least £200. Now Mr. AB has a useful sum to help to keep his daughter studying at a university.”

“A few weeks ago a certain schoolmaster bought a house, but could only afford to make part payment. He came to me for advice, for he wondered what would happen to his family if he died before the debt on the house (mortgage) was paid off. I told him my company could issue a life insurance policy linked with the mortgage which would enable his widow to become owner of the house on his death, provided that regular premiums had been paid in the interval.”

The agent also advised the class that it was better to pay monthly or quarterly insurance premiums than weekly ones. Similarly it is better to pay cash for goods if one can possibly do so. An overcoat for cash may cost you £7; if you pay it in weekly instalments, you will pay at least £1 more. You can see reasons why. The man who calls has to have wages, for one thing; the car he uses has to be paid for, for another. Credit and the privilege of delaying total payments for weeks thus result in more expense to you.

It is somewhat similar with insurance. Suppose you want to insure your furniture against risk of fire. You think it's worth £200, and you take out a policy for that amount. A fire policy is a legal stamped undertaking on the part of an insurance company to pay you up to a certain amount as damage in the event of fire, providing your payments of premiums have been regular and not beyond an agreed time in arrear. The XYZ Insurance Company will accept your business, and the total charge for two years at 2s. per cent per annum will be 8s. Out of that 8s. the agent will get 15% or 1s. 3d. for getting you as a customer and for collecting payments.

Now compare this with weekly payments which will probably come to no more than 3d. a week. This looks very inexpensive, and to some people may be convenient, but it is certainly not a method to be recommended if you take the trouble to see how it works. In two years you will have paid £1 6s. Out of that the agent will have received 26 times 1½d. for finding you as a client and 20% for collecting during the next eighteen months. That is 7s. 2d. for the agent.

In the insurance world most weekly payment arrangements are called industrial; other kinds of business are known as ordinary.

It is true to say that if most people were strong-minded enough to put the money they spend on insurance into the Post Office Savings Bank, in nine cases out of ten they would be better off. The interest and principal would be considerably more than that repayable for an endowment policy. This must be said, however. Insurance is a duty all must undertake, especially a family man whose sudden death may cause great distress to dependants.

This is not the place to go into more detail about sharing risks, which is really what insurance involves. "Bear ye one another's burdens" is a good motto for this very important branch of commercial life.

"But why," you may ask, "include the subject in this book?"

Because insurance enters into most transactions in connexion with work—in shipping, transport, mining, engineering. In fact it is an unseen but necessary thread in the texture of life, of livelihood and leisure.

FOR FURTHER STUDY AND DISCUSSION

1. If you wished to have an Endowment Assurance for £300 you would probably have to pass a medical examination. Why?
2. Write an explanatory note about the following:
premium; policy; agent's commission; lapsed policy;
A.1 at Lloyd's; expectation of life; actuary; annuities;
policy with profits; arson.
3. "A generation of National Health Insurance has meant better health for the nation." Make inquiries concerning this statement.

4. What are Friendly Societies?
5. Why are Insurance Company shares always profitable to hold?
6. "Something for nothing." Is this true of National Health Insurance for health, unemployment, and accidents at work?
7. What are Labour Exchanges for?
8. Find out what you can about recruitment, conditions, pay, and prospects in the insurance business.
9. What do you think the following people would have to say about National Insurance?
an old age pensioner; a doctor; a teacher; an unemployed docker; a self-employed person.
10. "Social insurance is an attack on want, disease, ignorance, squalor, and idleness." This is a comment by Beveridge. Say more about it.

thoughts and facts; and that in stating them correctly and attractively you acquire pleasure-giving and useful habits; finally that these accomplishments tend to make you a more confident and more competent person, and so help to fit you for your career, and for your livelihood and leisure?

A study of Economics helps in a similar manner, for it directs your attention to facts and ideas in your environment, and should guide you to a useful interest in your surroundings, both things and persons.

You spend much time in your junior years reading and hearing stories about people in other lands, how they live and what they do for a living. Economics does the same thing in dealing with the way your parents and neighbours live and make a living, how they get an income and how they spend it.

For Your Benefit.

If your reading and study have been effective, you should now have acquired certain ideas which it will be to your benefit to practise on all occasions. Amongst these the following may be listed:

- (a) It is better to pay cash. Dealing with the tallyman, the weekly payments tradesman, is inadvisable if it can be avoided. This is true, too, of the hire purchase system.
- (b) Everybody should pay for more insurance than the state scheme; but it is best to pay yearly or quarterly, not weekly, and, of course, one should never pay more than one can afford.
- (c) To have served an apprenticeship usually leads to a better job with better pay. The unskilled have less interesting and less profitable positions.

- (d) Proficiency in dancing and table tennis is admirable, but there is more in life than mere pleasure.
- (e) The young person who helps others in such activities as cubs and scouts is doing a worth-while service.
- (f) It is usually better (if possible) to buy a house than to rent one. Compare here a mortgage from a Building Society with one from a municipality; also compare saving by means of an insurance policy and by National Savings Certificates.
- (g) Backing horses is a fool's game. The arithmetic of the football pools ought to be better known.
- (h) The youngster who has a hobby and interests, is likely to be a happier boy or girl.
- (i) Many publicly provided services, so-called "free", have to be paid for by other people, and it is decent not to take unfair advantage of these state and municipal provisions.
- (j) It is not clever, but mean to dodge paying one's fare, or to let someone else take the blame for one's misdeeds.
- (k) A day's pay is worth a decent day's work. If there is slacking, the master and his clients are being cheated.
- (l) Your town, your county, your country—these are something to be proud of, and so are the men and women who have made them a matter for pride. You are doing right if you are doing your best to make your town, your county, and your country better than they were.

And you do this by always doing your best.

Now turn the name of this book into a question so that "Why People Work" becomes "Why Do People Work?" With the help of your studies in Economics you can now give

the answer that people work for the joy it gives them to be fully occupied, because it gives them a purpose in life, and because the means of livelihood and leisure are the results and reward of that occupation. In leisure, of course, are included many essential aspects of life such as the joys and consolations of religion, and the satisfaction arising from recreation, literature, music, and art.

To all of these can be added the joys of service to your fellow-citizens, for perhaps the greatest value that can be claimed for the study of Economics is that it makes each worker realize his dependence on others, and see that happiness and welfare come to the individual as a direct and indirect result of performing services for others. By acting in his daily work and leisure for the benefit of his brethren at home and abroad, the worker, in whatever sphere of life his opportunities and fate place him, furthers the ideals of happiness and peace for all.

FOR FURTHER STUDY AND DISCUSSION

1. "Each for all and all for each." How could this slogan be applied for the benefit of all in a rainproof factory, or an office, or school, or brickyard?
2. In what facts are economists interested?
3. If the publisher invited you to insert pictures in this book, what would you include?
4. "Knowledge alone is not enough. The personal equation counts for much more." This is what an employer said to a trained applicant for a post. Give in your own words the answer you would like to offer.

5. Every M.P. and council member should have a knowledge of Economics. State arguments for and against this recommendation.
6. What is the connexion between Politics and Economics?
7. A self-made man said, "I never knew Economics, yet I've not done so badly." Justify his attitude. Give another point of view.
8. "A Ceylon tea-planter exchanges his work for that of a maker of cotton suits in Manchester." There is much truth in this statement. Can you say why?
9. If Tom slacks in his work, he is letting down his mates, his employer, and his master's clients or customers. Discuss this with Tom, or among yourselves.
10. Discuss this book:
 - (a) How can it be improved?
 - (b) What could be added to it or left out of it?
 - (c) What exercises other than those already given at the end of each chapter could be added (one more per chapter)?
 - (d) Should the book be used for private reading or class study?
 - (e) Which chapter do you consider best and which the worst? Give reasons for your answers.